Notes to the Financial Statements

For the year ended 31 December 2006

1. General

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is AEON Co., Ltd., incorporated and listed in Japan.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Group are the operation of general merchandise stores.

The financial statements of the Company are presented in Hong Kong dollars. The Company's functional currency is Hong Kong dollars, while the functional currency of the subsidiaries registered in the People's Republic of China (the "PRC") is Renminbi.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standard, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
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]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

[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.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2009.
[8] Effective for annual periods beginning on or after 1 January 2008.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

3. Significant Accounting Policies

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiarys' equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Concessionaire sales is presented on a net basis.

Rentals received from licensees are recognised on a straight-line basis over the terms of the relevant licence agreements. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense on a straight-line basis over the lease term.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

3. Significant Accounting Policies *(continued)*

Property, plant and equipment
Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or remaining net book values of property, plant and equipment, other than construction in progress, over the estimated useful lives after taking into account of their estimated residual value, using the straight-line method at the following rates:

Building fixtures	Over the expected useful lives of nine years or, where shorter, the term of the relevant lease
Furniture fixtures and equipment	10% – 25% per annum
Motor vehicles	20% – 25% per annum

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Financial instruments
Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, bank balances, and amounts due from subsidiaries and fellow subsidiaries) are carried at amortised cost using the effective interest method, less any impairment losses. An appropriate impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accrued charges, bank borrowings, amounts due to fellow subsidiaries and ultimate holding company, and dividend payable) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

3. Significant Accounting Policies *(continued)*

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value and are computed using the retail price method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits schemes

Payment to the Group's defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

The pension costs charged in the profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution schemes.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

3. Significant Accounting Policies *(continued)*

Pre-operating expenses

Expenses relating to the setting up of stores are charged directly to profit or loss when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted on substantively enact by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Income taxes

As at 31 December 2006, a deferred tax asset of HK$14,486,000 (2005: HK$11,625,000) in relation to accelerated accounting depreciation and other temporary differences has been recognised in the Group's balance sheet. The reliability of the deferred tax asset mainly depends on whether taxable profit will be available against which the deductible temporary differences can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgment *(continued)*

Key sources of Estimation uncertainty *(continued)*

Income taxes (continued)

In addition, as at 31 December 2006, a deferred tax asset of HK$8,277,000 (2005: HK$13,269,000) in relation to unused tax losses of subsidiaries operating in other regions in the PRC has not been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

Critical accounting judgment

Prepaid rental

One of the subsidiaries of the Company located in other regions in the PRC has previously entered into a tenancy agreement with the landlord. Under the tenancy agreement, the monthly rental expense is based on the turnover of the store. The subsidiary needs to pay the pre-determined rental expense as stipulated in the agreement every month and subsequently concludes the turnover rent with the landlord. The excess of the payment of pre-determined rental expense over the amount based on the turnover is classified as prepaid rent and can be either utilised to offset the future rental or refunded to the subsidiary upon request. As at 31 December 2006, the prepaid rental of HK$21,850,000 is included in "Rental deposits and prepayments" in the Group's balance sheet.

There is a dispute on the calculation basis of the rental between the subsidiary and the landlord and the case was passed for arbitration in the PRC. The management has made judgment and assessed the recoverability of this prepaid rent based on the current available objective evidence and considered that the amount will be recoverable. Where the final outcome of this matter is different from the estimation by the management, such amount will impact the profit or loss in the period in which such determination is made.

5. Financial Instruments

a. Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

5. Financial Instruments *(continued)*

a. Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group's credit risk is primarily attributable to trade receivables, other receivables and amounts due from fellow subsidiaries. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Market risk

Currency risk

Certain of the Group's purchases are denominated in foreign currencies. They expose the Group to foreign currency risk and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Cash flow interest rate risk

The Group has exposures to cash flow interest rate risk as its bank borrowings is subject to floating interest rate. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

Price risk

The Group's available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

5. Financial Instruments *(continued)*

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. Turnover and Segment Information

Turnover represents the invoiced value of goods, net of discounts, sold to customers, and income from concessionaire sales during the year.

	2006 HK$'000	2005 HK$'000
Income from concessionaire sales	**606,351**	569,082
Direct sales	**3,680,621**	3,350,659
Revenue	**4,286,972**	3,919,741

Geographical segments

The Group's operations are located in Hong Kong and the PRC (other than Hong Kong). The locations of operations are the basis on which the Group reports its primary segment information.

Geographical segment information by location of assets and market is presented below:

For the year ended 31 December 2006

	Hong Kong HK$'000	**PRC HK$'000**	**Consolidated HK$'000**
Revenue	**2,903,314**	**1,383,658**	**4,286,972**
Segment result	**195,007**	**13,923**	**208,930**
Dividend income			**759**
Finance costs			**(767)**
Profit before taxation			**208,922**
Income tax expenses			**(52,217)**
Profit for the year			**156,705**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

6. Turnover and Segment Information *(continued)*

Geographical segments *(continued)*
At 31 December 2006

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
BALANCE SHEET			
ASSETS			
Segment assets	1,698,415	719,227	2,417,642
Unallocated corporate assets			39,348
Consolidated total assets			2,456,990
LIABILITIES			
Segment liabilities	1,127,354	465,816	1,593,170
Bank borrowings	–	59,712	59,712
Unallocated corporate liabilities			9,595
Consolidated total liabilities			1,662,477

For the year ended 31 December 2006

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
OTHER INFORMATION			
Capital expenditure	53,619	52,021	105,640
Depreciation	73,209	59,038	132,247
Loss on disposal of property, plant and equipment	430	767	1,197
Reversal of write-down of inventories	(10,133)	–	(10,133)
Impairment loss reversed in respect of property, plant and equipment	8,967	–	8,967

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

6. Turnover and Segment Information *(continued)*

Geographical segments *(continued)*
For the year ended 31 December 2005

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
Revenue	2,769,886	1,149,855	3,919,741
Segment result	168,216	(4,905)	163,311
Dividend income			645
Finance costs			(227)
Profit before taxation			163,729
Income tax expenses			(39,793)
Profit for the year			123,936

At 31 December 2005

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
BALANCE SHEET			
ASSETS			
Segment assets	1,331,937	575,531	1,907,468
Unallocated corporate assets			36,486
Consolidated total assets			1,943,954
LIABILITIES			
Segment liabilities	831,816	399,731	1,231,547
Bank borrowings	–	14,351	14,351
Unallocated corporate liabilities			14,439
Consolidated total liabilities			1,260,337

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

6. Turnover and Segment Information *(continued)*

Geographical segments *(continued)*
For the year ended 31 December 2005

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
OTHER INFORMATION			
Capital expenditure	46,950	51,992	98,942
Depreciation	68,778	56,600	125,378
Loss on disposal of property, plant and equipment	1,819	340	2,159
Write-down of inventories	14,553	–	14,553

Business segments
No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

7. Investment Income

	2006 HK$'000	2005 HK$'000
Dividends from listed equity securities	**759**	645
Interest on bank deposits	**32,438**	15,477
	33,197	16,122

8. Pre-operating Expenses

Included in pre-operating expenses were staff costs of HK$2,372,000 (2005: HK$1,883,000).

9. Finance Costs

Finance costs represent the interest on bank borrowings wholly repayable within five years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

10. Income Tax Expenses

	2006	2005
	HK$'000	HK$'000
The charges comprise:		
Current tax		
Hong Kong	**36,730**	32,516
Other regions in the PRC	**15,034**	8,212
	51,764	40,728
Under(over) provision in prior years		
Hong Kong	**–**	(522)
Other regions in the PRC	**3,314**	290
	3,314	(232)
	55,078	40,496
Deferred tax *(Note 19)*		
Current year	**(2,861)**	(703)
Income tax expenses for the year	**52,217**	39,793

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

10. Income Tax Expenses *(continued)*

Income tax expenses for the year can be reconciled to profit before taxation per the consolidated income statement as follows:

	2006 **HK$'000**	2005 HK$'000
Profit before taxation	**208,922**	163,729
Taxation at the applicable rate of 17.5%	**36,561**	28,653
Tax effect of expenses that are not deductible for tax purpose	**4,767**	2,646
Tax effect of income that are not taxable for tax purpose	**(6,664)**	(2,428)
Tax effect of tax losses not recognised	**8,423**	7,346
Tax effect of utilisation of tax losses previously not recognised	**(503)**	–
Tax effect of deductible temporary difference not recognised	**–**	364
Tax effect of utilisation of deductible temporary difference previously not recognised	**(825)**	(452)
Effect of different tax rates of entities operating in the PRC	**7,062**	3,857
Under(over) provision in prior years	**3,314**	(232)
Other	**82**	39
Income tax expenses	**52,217**	39,793

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

11. Profit for the Year

	2006	2005
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**2,204**	2,171
Exchange gain	**(449)**	(1,280)
Operating lease rentals in respect of		
Rented premises		
– minimum lease payments	**429,614**	356,039
– contingent rent *(Note)*	**25,665**	28,247
	455,279	384,286
Retirement benefits scheme contributions, net of forfeited contributions of HK$480,000 (2005: HK$567,000)	**29,289**	22,048
Royalties payable to the ultimate holding company	**43,901**	40,986
Rentals received from licensees		
– minimum lease payments	**(187,354)**	(169,343)
– contingent rent *(Note)*	**(44,348)**	(46,414)
	(231,702)	(215,757)
(Reversal of) write-down of inventories*	**(10,133)**	14,553

Note: Contingent rent is calculated based on the excess of a percentage of turnover of the relevant operation that occupied the premises over the minimum lease payments as stated in the relevant rental agreements.

* Inventories written down in prior years were sold in current year and the write-down of inventories has been reversed due to an increase in net realisable value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

12. Directors' Emoluments

The emoluments paid or payable to each of the 13 (2005: 11) directors were as follows:

For the year ended 31 December 2006

	LAM Man Tin HK$'000	Yutaka FUKUMOTO HK$'000	WONG Mun Yu HK$'000	Toshiji TOKIWA HK$'000	Tatsuichi YAMAGUCHI HK$'000	Naoyuki MIYASHITA HK$'000	Akihito TANAKA HK$'000	Motoya OKADA HK$'000	Kazumasa ISHII HK$'000	LAM PEI Peggy HK$'000	SHAM Sui Leung Daniel HK$'000	CHENG Yin Ching Anna HK$'000	SHAO You Bao HK$'000	Total HK$'000
Fees	147	–	60	360	160	–	99	67	–	170	170	70	50	1,353
Other emoluments														
Salaries and other benefits	1,589	734	1,298	–	–	1,945	–	–	1,062	–	–	–	–	6,628
Contributions to retirement benefits schemes	84	–	66	–	–	116	–	–	97	–	–	–	–	363
	1,820	734	1,424	360	160	2,061	99	67	1,159	170	170	70	50	8,344

For the year ended 31 December 2005

	LAM Man Tin HK$'000	WONG Mun Yu HK$'000	Toshiji TOKIWA HK$'000	Tatsuichi YAMAGUCHI HK$'000	Naoyuki MIYASHITA HK$'000	Motoya OKADA HK$'000	Kazumasa ISHII HK$'000	LAM PEI Peggy HK$'000	SHAM Sui Leung Daniel HK$'000	SHAO You Bao HK$'000	Kozo MURATA HK$'000	Total HK$'000
Fees	60	60	360	170	–	160	–	170	120	210	–	1,310
Other emoluments												
Salaries and other benefits	1,366	1,182	–	–	1,992	–	2,224	–	–	–	1,663	8,427
Contributions to retirement benefits schemes	74	64	–	–	–	–	–	–	–	–	–	138
	1,500	1,306	360	170	1,992	160	2,224	170	120	210	1,663	9,875

No directors waived any emoluments during each of the two years ended 31 December 2006.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, one (2005: two) was director of the Company whose emolument is included in the disclosures in note 12 above. The emoluments of the remaining four individuals (2005: three) were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**7,145**	5,458
Performance based bonus	**935**	880
Contributions to retirement benefit schemes	**672**	113
	8,752	6,451

	No. of employees	
Their emoluments were within the following bands:		
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**3**	2

14. Dividends

	2006	2005
	HK$'000	HK$'000
Final dividend paid for 2005 of 14.0 HK cents (2004: 8.5 HK cents) per ordinary share	**36,400**	22,100
Interim dividend paid for 2006 of 5.5 HK cents (2005: 5.5 HK cents) per ordinary share	**14,300**	14,300
	50,700	36,400

The final dividend of 17.5 HK cents per ordinary share has been proposed by the directors and is subject to approval by the Company's shareholders in general meeting.

15. 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 year attributable to the equity holders of the parent of HK$148,347,000 (2005: HK$124,532,000) and on 260,000,000 (2005: 260,000,000) ordinary shares in issue during the year.

There were no dilutive potential shares in both years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

16. Property, Plant and Equipment

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2005	680,978	270,585	4,241	725	956,529
Exchange adjustments	4,887	1,747	74	4	6,712
Additions	9,480	16,878	814	71,770	98,942
Transfer	47,315	21,147	–	(68,462)	–
Disposals	(44,543)	(3,360)	(349)	–	(48,252)
At 31 December 2005	698,117	306,997	4,780	4,037	1,013,931
Exchange adjustments	**10,175**	**3,732**	**153**	**164**	**14,224**
Additions	**13,653**	**21,876**	**314**	**69,797**	**105,640**
Transfer	**18,733**	**4,979**	**–**	**(23,712)**	**–**
Disposals	**(4,777)**	**(11,234)**	**(255)**	**–**	**(16,266)**
At 31 December 2006	**735,901**	**326,350**	**4,992**	**50,286**	**1,117,529**
DEPRECIATION					
At 1 January 2005	417,458	193,832	2,579	–	613,869
Exchange adjustments	2,326	667	40	–	3,033
Provided for the year	93,321	31,355	702	–	125,378
Eliminated on disposals	(42,952)	(2,696)	(314)	–	(45,962)
At 31 December 2005	470,153	223,158	3,007	–	696,318
Exchange adjustments	**5,815**	**1,848**	**83**	**–**	**7,746**
Provided for the year	**100,430**	**31,137**	**680**	**–**	**132,247**
Eliminated on disposals	**(4,011)**	**(10,352)**	**(69)**	**–**	**(14,432)**
Impairment loss reversed	**(8,967)**	**–**	**–**	**–**	**(8,967)**
At 31 December 2006	**563,420**	**245,791**	**3,701**	**–**	**812,912**
CARRYING VALUES					
At 31 December 2006	**172,481**	**80,559**	**1,291**	**50,286**	**304,617**
At 31 December 2005	227,964	83,839	1,773	4,037	317,613

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

16. Property, Plant and Equipment *(continued)*

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE COMPANY					
COST					
At 1 January 2005	465,340	193,504	985	551	660,380
Additions	4,450	13,256	–	29,244	46,950
Transfer	24,855	4,940	–	(29,795)	–
Disposals	(44,543)	(2,346)	–	–	(46,889)
At 31 December 2005	450,102	209,354	985	–	660,441
Additions	**12,564**	**18,462**	**–**	**22,593**	**53,619**
Transfer	**17,549**	**5,016**	**–**	**(22,565)**	**–**
Disposals	**(4,777)**	**(8,104)**	**–**	**–**	**(12,881)**
At 31 December 2006	**475,438**	**224,728**	**985**	**28**	**701,179**
DEPRECIATION					
At 1 January 2005	314,805	164,394	805	–	480,004
Provided for the year	54,964	13,693	121	–	68,778
Eliminated on disposals	(42,952)	(2,067)	–	–	(45,019)
At 31 December 2005	326,817	176,020	926	–	503,763
Provided for the year	**59,502**	**13,660**	**47**	**–**	**73,209**
Eliminated on disposals	**(4,011)**	**(8,038)**	**–**	**–**	**(12,049)**
Impairment loss reversed	**(8,967)**	**–**	**–**	**–**	**(8,967)**
At 31 December 2006	**373,341**	**181,642**	**973**	**–**	**555,956**
CARRYING VALUES					
At 31 December 2006	**102,097**	**43,086**	**12**	**28**	**145,223**
At 31 December 2005	123,285	33,334	59	–	156,678

During the year, the directors had reviewed the carrying values of property, plant and equipment and reversed an impairment loss on building fixtures of one of the stores in Hong Kong amounting to HK$8,967,000 which had been made in 2002 due to the improvement in the financial performance of that store. The recoverable amounts of the relevant building fixtures have been determined on the basis of their value in use and the discount rate in measuring the amounts of value in use is 5% per annum. The carrying amount of this asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

17. Investments in Subsidiaries

	THE COMPANY 2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	**112,460**	93,249
Less: impairment loss	**(41,100)**	–
	71,360	93,249

Particulars of the subsidiaries at 31 December 2006 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered/ ordinary share capital	Proportion of registered/ issued capital directly held by the Group	Principal activities
Guangdong Jusco Teem Stores Co., Ltd. ("GDJ")	Sino-foreign equity joint venture	PRC	RMB56,000,000	65%	General merchandise stores
Shenzhen Aeon Friendship Co., Ltd.	Sino-foreign equity joint venture	PRC	RMB55,000,000	65%	General merchandise stores
AEON (China) Co., Ltd.	Wholly owned foreign enterprise	PRC	RMB50,000,000	100%	General merchandise stores
Jusco Stores (Hong Kong) Co., Limited	Incorporated	Hong Kong	HK$1,000	100%	Inactive

GDJ has entered into agreements with a PRC party to operate department stores in the PRC. All transactions were carried out in the name of the PRC party. Under the agreements, GDJ is to bear the entire risks and liabilities of those department stores. GDJ will be entitled to 100% of the net profit after deducting a fixed annual amount paid to the PRC party.

At the balance sheet date, the aggregate amount of assets, liabilities and revenue recognised in the financial statements in relation to the above operations are as follows:

	THE GROUP 2006 HK$'000	2005 HK$'000
Assets	**230,405**	173,936
Liabilities	**229,451**	165,662
Revenue	**605,327**	505,747

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

18. Available-for-sale Investments

Available-for-sale investments comprise:

	THE GROUP AND THE COMPANY	
	2006	2005
	HK$'000	HK$'000
Equity securities:		
Listed shares in Hong Kong at fair value	**22,922**	22,921
Debt securities:		
Unlisted club debenture at fair value	**1,940**	1,940
	24,862	24,861

The listed securities detailed above include an investment in a fellow subsidiary of HK$22,893,000 (2005: HK$22,893,000).

19. Deferred Taxation

The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting periods:

	THE GROUP AND THE COMPANY		
	Accelerated accounting depreciation	**Other temporary differences**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2005	10,617	305	10,922
Credit to income statement for the year	603	100	703
At 31 December 2005	11,220	405	11,625
Credit (charge) to income statement for the year	**2,986**	**(125)**	**2,861**
At 31 December 2006	**14,206**	**280**	**14,486**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

19. Deferred Taxation *(continued)*

At the balance sheet date, the Group has unused tax losses of HK$104,101,000 (2005: HK$56,567,000) available for offset against future profits and temporary differences in respect of allowance for doubtful debts, accrued rental expenses and pre-operating expenses written off of HK$9,876,000 (2005: HK$15,585,000). A deferred tax asset has been recognised in respect of HK$1,599,000 (2005: HK$2,316,000) for such temporary differences. No deferred tax asset has been recognised in respect of the unused tax losses and the remaining temporary differences of HK$8,277,000 (2005: HK$13,269,000) due to the unpredictability of future profit streams for certain subsidiaries.

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
The tax losses above will expire as follows:		
31 December 2007	**–**	2,795
31 December 2008	**7,178**	10,331
31 December 2009	**9,042**	5,232
31 December 2010	**39,747**	38,209
31 December 2011	**48,134**	–
	104,101	56,567

The Company has no other significant unrecognised temporary difference at the balance sheet date.

20. Inventories

During the year, the directors have considered the market performance and the expected net realisable value of the inventories. As a result, a reversal of write-down of inventories of HK$10,133,000 (2005: write-down of HK$14,553,000) has been recognised and included in "Purchases of goods and changes in inventories" in the current year.

21. Trade Receivables

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

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

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within due dates	**39,129**	23,413	**31,629**	15,240
Overdue under 30 days	**86**	–	**86**	–
	39,215	23,413	**31,715**	15,240

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

22. Other Financial Assets

Other financial assets include other receivables and deposits, bank balances, and amounts due from subsidiaries and fellow subsidiaries.

The amounts due from subsidiaries and fellow subsidiaries are within due dates, unsecured, non-interest bearing and are repayable on demand.

Bank balances comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 1.5% to 4% per annum.

23. Trade Payables

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

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within due dates	**923,196**	694,151	**705,596**	493,648
Overdue under 30 days	**64,803**	57,595	**8,000**	4,553
Overdue over 30 days	**52,424**	44,370	**24,336**	21,058
	1,040,423	796,116	**737,932**	519,259

24. Bank Borrowings

The Group

The bank borrowings represent unsecured short term bank borrowings denominated in Renminbi and interest bearing at floating rates. The average effective interest rate during the year is 5.02% (2005: 5.22%) per annum.

25. Other Financial Liabilities

Other financial liabilities include other payables, amounts due to fellow subsidiaries and ultimate holding company.

The amounts due to fellow subsidiaries and ultimate holding company are aged within due dates, unsecured, non-interest bearing and are repayable on demand.

26. Share Capital

	2006 & 2005
	HK$'000
Authorised:	
350,000,000 ordinary shares of HK$0.20 each	70,000
Issued and fully paid:	
260,000,000 ordinary shares of HK$0.20 each	52,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

27. Share Premium and Reserves

	Share premium HK$'000	**Investment revaluation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
THE COMPANY				
At 1 January 2005	63,158	17,640	406,707	487,505
Gain on fair value changes of available-for-sale investments recognised directly in equity	–	3,266	–	3,266
Profit for the year	–	–	147,900	147,900
Dividends	–	–	(36,400)	(36,400)
At 31 December 2005	63,158	20,906	518,207	602,271
Gain on fair value changes of available-for-sale investments recognised directly in equity	**–**	**1**	**–**	**1**
Profit for the year	**–**	**–**	**128,715**	**128,715**
Dividends	**–**	**–**	**(50,700)**	**(50,700)**
At 31 December 2006	**63,158**	**20,907**	**596,222**	**680,287**

28. Capital Commitments

	THE GROUP		**THE COMPANY**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**22,463**	4,559	**–**	–
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**–**	57,402	**–**	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

29. Operating Lease Arrangements

The Group and the Company as lessee:
At the balance sheet date, the Group and the Company had outstanding commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases, which fall due as follows:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**393,386**	395,199	**266,247**	308,199
In the second to fifth year inclusive	**1,224,909**	1,003,000	**596,798**	684,668
Over five years	**341,212**	410,772	**15,976**	72,346
	1,959,507	1,808,971	**879,021**	1,065,213

In addition to the above, twenty-eight (2005: twenty-three) of the leases of the Group and nineteen (2005: sixteen) of the leases of the Company are each subject to contingent rents based on a fixed percentage of the annual gross turnover and receipts in excess of the minimum lease payments.

Operating lease payments represent rentals payable by the Group for its stores and staff quarters. Leases of stores are negotiated for terms ranging from one to eighteen years and rentals are fixed for one to three years. Leases of staff quarters are negotiated for terms ranging from one to two years and rentals are fixed for one to two years.

The Group and the Company as lessor:
At the balance sheet date, the Group and the Company had contracted with licensees for floor areas in the stores for the following future minimum lease payments under non-cancellable operating leases for each of the following period:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**126,692**	112,954	**105,128**	96,633
In the second to fifth year inclusive	**58,255**	51,062	**35,127**	34,662
Over five years	**6,883**	3,765	**807**	–
	191,830	167,781	**141,062**	131,295

The leases are negotiated for terms ranging from one to six years. In addition to the minimum lease payments, the Group and the Company are entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

30. Retirement Benefit Schemes

The Company participates in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year are charged to the income statement for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the MPF Scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions charged to the income statement represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute to the retirement benefit schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years was HK$31,000 (2005: HK$36,000).

31. Related Party Transactions

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

Capacity	**Nature of transaction**	**2006 HK$'000**	2005 HK$'000
Fellow subsidiaries	Commission expenses	**11,787**	12,166
	Purchase of goods	**67,453**	57,445
	Rental income from licensees	**6,700**	6,454
Ultimate holding company	Royalty expenses	**43,901**	40,986
Minority shareholders of the subsidiaries	Rental expenses and management fees	**33,711**	37,083

During the year, the Group received dividend income amounting to HK$757,000 (2005: HK$643,000) from a fellow subsidiary.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

31. Related Party Transactions *(continued)*

In addition to the above, the Group has donated HK$Nil (2005: HK$1,012,000) to AEON Education and Environment Fund Limited ("the Fund") of which the Company is a member of the Fund. The Fund is a company limited by guarantee and not having a share capital, established in co-operation with AEON Credit Service (Asia) Company Limited, 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 balance sheets except for the following balance, which is included in other receivables, prepayments and deposits:

	2006	2005
	HK$'000	HK$'000
Amounts due from minority shareholders of the subsidiaries	**4,827**	7,731

Compensation of key management personnel

The Group's key management personnel are all directors, details of their remuneration are disclosed in note 12.

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. Post Balance Sheet Event

On 12 December 2006, the board of directors announced that the Company entered into the amendment agreement ("Amendment Agreement") with AEON Co., Ltd., the ultimate holding company, to amend the technical assistance agreement which was entered into on 31 December 1993 for the provision by AEON Co., Ltd. to the Company of technical assistance including the right to use certain trade marks of AEON Co,. Ltd. and the system and know-how in consideration of an annual fee paid by the Company to AEON Co., Ltd. ("Technical Assistance Agreement"). The Amendment Agreement is subject to the approval of independent shareholders of the Company. Pursuant to Rule 14A.35(2) of the Listing Rules, the Company has re-set the cap of HK$47 million as the maximum aggregate annual value of the fees and expenses payable by the Company to AEON Co., Ltd. under the Technical Assistance Agreement as amended by the Amendment Agreement for each of the three years ending 31 December 2009. The substantive amendments to the Technical Assistance Agreement relate to:

(i) changes in the rights granted to the Company to use the trade marks owned by the AEON Co., Ltd.;

(ii) changes in the terms of AEON Co., Ltd.'s undertaking under the Technical Assistance Agreement not to compete with the Company;

(iii) changes in the duration of the Technical Assistance Agreement; and

Notes to the Financial Statements (Continued)

For the year ended 31 December 2006

32. Post Balance Sheet Event *(continued)*

(iv) changes in the basis for calculating the fee payable by the Company to the AEON Co., Ltd. under the Technical Assistance Agreement.

Under the existing Technical Assistance Agreement, for each financial year of the Company, the Company shall pay to AEON Co., Ltd. an annual fee equal to the aggregate of: (a) 2% of the revenue of Kornhill Store of the Company in that financial year; and (b) a fixed charge at the rate of HK$14 per square feet of the floor area of each of the stores (except Kornhill Store) operated by the Group within Hong Kong and/or Macau and/or the Guangdong Province of the PRC, in each case pro rated to the number of days on which such stores has commenced business. Pursuant to the Amendment Agreement and in lieu of the aforesaid calculation provisions in the existing Technical Assistance Agreement, the Group shall pay a royalty fee to AEON Co., Ltd. for each financial year in the amount of 0.4% (the "New Royalty Rate") of the audited consolidated Total of revenue as defined in the Amendment Agreement of the Group for the relevant financial year. The New Royalty Rate will be adopted retrospectively with effect from 1 January 2003.

Details of the above are set out in the circular issued by the Company on 3 January 2007.

The resolutions of adopting the Amendment Agreement and the cap of HK$47 million in relation to the continuing connected transactions for each of the three years ending 31 December 2009 were duly approved by independent shareholders of the Company (i.e. AEON Co., Ltd. and its affiliates are abstained from voting) and passed on the extraordinary general meeting held on 26 January 2007.

It is expected that there will be a saving of royalty fee of HK$13.3 million, HK$13.6 million, HK$18.1 million and HK$19.0 million for each of the four years ended 31 December 2006. As the resolution was passed subsequent to 31 December 2006, the saving of royalty fee is considered as a non-adjusting event.

Pursuant to a supplementary agreement signed between the Company and AEON Co., Ltd. dated 2 April 2007, it was agreed that the calculation of the royalty fee payable to AEON Co., Ltd. under the Amendment Agreement was based on the total of revenue which included the consolidated direct sales, consolidated sales of the respective concessionaire, and licensee fees and other rentals received by the Group for the relevant financial year. The supplementary agreement was subject to the approval by the independent shareholders of the Company. Details of this amendment would be set out in the circular of the Company subsequent to the date of this report. It is expected there will be no effect on the saving of the royalty fee mentioned in above.

33. Comparative Figures

Income from concessionaire sales is presented net of gross sales made under such arrangement and amounts paid/payable to concessionaires so as to conform better presentation, and the current accounting practice.

Accordingly, revenue and purchases of goods for the year ended 31 December 2005 has decreased from HK$5,503,393,000 to HK$3,919,741,000 and from HK$4,118,141,000 to HK$2,534,489,000 respectively.