



**AEON**

**AEON Stores (Hong Kong) Co., Limited**

永旺(香港)百貨有限公司

Stock Code : 984

INTERIM REPORT 2010



The Board of Directors (the “Board”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group” or “AEON”) for the 6 months ended 30 June 2010 together with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   | NOTES | Six months ended                     |                                      |
|---|-------|--------------------------------------|--------------------------------------|
|   |       | 30.6.2010<br>HK\$'000<br>(unaudited) | 30.6.2009<br>HK\$'000<br>(unaudited) |
| Revenue   | 3     | 3,062,679                            | 2,815,716                            |
| Other income  |       | 222,932                              | 192,534                              |
| Investment income   |       | 11,078                               | 13,060                               |
| Purchase of goods and changes in inventories                              |       | (2,096,664)                          | (1,917,972)                          |
| Staff costs   |       | (298,978)                            | (292,730)                            |
| Depreciation  |       | (60,130)                             | (71,304)                             |
| Loss on disposal of property, plant and equipment                         |       | (206)                                | (22)                                 |
| Impairment loss recognized in respect of property,<br>plant and equipment |       | (9,525)                              | (2,935)                              |
| Pre-operating expenses  | 4     | (4,215)                              | (6,696)                              |
| Other expenses  |       | (651,248)                            | (624,886)                            |
| Finance costs   | 5     | (3,351)                              | (3,553)                              |
| Profit before tax   |       | 172,372                              | 101,212                              |
| Income tax expense  | 6     | (37,987)                             | (30,945)                             |
| Profit for the period   |       | 134,385                              | 70,267                               |
| Profit for the period attributable to:                                    |       |                                      |                                      |
| Owners of the Company   |       | 114,848                              | 55,694                               |
| Non-controlling interests   |       | 19,537                               | 14,573                               |
|   |       | 134,385                              | 70,267                               |
| Earnings per share  | 8     | 44.17 HK cents                       | 21.42 HK cents                       |



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   | Six months ended |             |
|---|------------------|-------------|
|   | 30.6.2010        | 30.6.2009   |
|   | HK\$'000         | HK\$'000    |
|   | (unaudited)      | (unaudited) |
| Profit for the period   | 134,385          | 70,267      |
| Other comprehensive income  |                  |             |
| Fair value (loss) gain on available-for-sale investments          | (1,817)          | 4,515       |
| Exchange differences arising on translation of foreign operations | 2,247            | (1,014)     |
| Other comprehensive income for the period                         | 430              | 3,501       |
| Total comprehensive income for the period                         | 134,815          | 73,768      |
| Total comprehensive income attributable to:                       |                  |             |
| Owners of the Company   | 114,122          | 59,529      |
| Non-controlling interests   | 20,693           | 14,239      |
|   | 134,815          | 73,768      |



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

|  | NOTES | 30.6.2010<br>HK\$'000<br>(unaudited) | 31.12.2009<br>HK\$'000<br>(audited) |
|--|-------|--------------------------------------|-------------------------------------|
| <b>Non-current Assets</b>                    |       |                                      |                                     |
| Goodwill                                     |       | 94,838                               | 94,838                              |
| Property, plant and equipment                | 9     | 486,856                              | 487,775                             |
| Available-for-sale investments               | 10    | 26,064                               | 27,881                              |
| Callable time deposits                       | 11    | -                                    | 77,641                              |
| Long term time deposit                       | 11    | 117,148                              | 116,461                             |
| Deferred tax assets                          |       | 10,594                               | 11,739                              |
| Rental deposits and prepayments              |       | 75,929                               | 85,975                              |
|  |       | <b>811,429</b>                       | <b>902,310</b>                      |
| <b>Current Assets</b>                        |       |                                      |                                     |
| Inventories                                  |       | 457,737                              | 558,450                             |
| Trade receivables                            | 12    | 15,555                               | 19,443                              |
| Other receivables, prepayments and deposits  |       | 99,173                               | 92,548                              |
| Amounts due from fellow subsidiaries         |       | 65,138                               | 65,238                              |
| Tax recoverable                              |       | -                                    | 8,182                               |
| Pledged bank deposits                        | 13    | 13,956                               | 12,470                              |
| Bank balances and cash                       |       | 1,816,280                            | 1,903,696                           |
|  |       | <b>2,467,839</b>                     | <b>2,660,027</b>                    |
| <b>Current Liabilities</b>                   |       |                                      |                                     |
| Trade payables                               | 14    | 1,013,394                            | 1,224,119                           |
| Other payables and accrued charges           |       | 668,354                              | 754,843                             |
| Amounts due to fellow subsidiaries           | 15    | 33,439                               | 45,951                              |
| Amount due to ultimate holding company       | 15    | 20,625                               | 35,156                              |
| Bank borrowings                              | 16    | 68,501                               | 124,432                             |
| Income tax payable                           |       | 22,293                               | 16,357                              |
| Dividend payable                             |       | 693                                  | 520                                 |
|  |       | <b>1,827,299</b>                     | <b>2,201,378</b>                    |
| <b>Net Current Assets</b>                    |       | <b>640,540</b>                       | <b>458,649</b>                      |
| <b>Total Assets Less Current Liabilities</b> |       | <b>1,451,969</b>                     | <b>1,360,959</b>                    |
| <b>Capital and Reserves</b>                  |       |                                      |                                     |
| Share capital                                |       | 52,000                               | 52,000                              |
| Share premium and reserves                   |       | 1,146,825                            | 1,091,463                           |
| Equity attributable to owners of the Company |       | 1,198,825                            | 1,143,463                           |
| Non-controlling interests                    |       | 131,320                              | 110,627                             |
| <b>Total Equity</b>                          |       | <b>1,330,145</b>                     | <b>1,254,090</b>                    |
| <b>Non-current Liabilities</b>               |       |                                      |                                     |
| Rental deposits received                     |       | 82,327                               | 58,708                              |
| Deferred tax liabilities                     |       | 5,246                                | 2,913                               |
| Bank borrowings                              | 16    | 34,251                               | 45,248                              |
|  |       | <b>121,824</b>                       | <b>106,869</b>                      |
|  |       | <b>1,451,969</b>                     | <b>1,360,959</b>                    |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|  | Attributable to owners of the Company |                           |  |                                 |   |                                       |                              |                   |                                       |                   |
|--|---------------------------------------|---------------------------|--|---------------------------------|---|---------------------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | The People's Republic of China ("PRC") statutory reserves<br>HK\$'000 | Non-distributable reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2009 (audited)                      | 52,000                                | 63,158                    | 11,493                                     | 17,750                          | 6,095   | 18,389                                | 893,035                      | 1,061,920         | 92,375                                | 1,154,295         |
| Profit for the period                            | -                                     | -                         | -  | -                               | -   | -                                     | 55,694                       | 55,694            | 14,573                                | 70,267            |
| Other comprehensive income for the period        | -                                     | -                         | 4,515                                      | (680)                           | -   | -                                     | -                            | 3,835             | (334)                                 | 3,501             |
| Total comprehensive income for the period        | -                                     | -                         | 4,515                                      | (680)                           | -   | -                                     | 55,694                       | 59,529            | 14,239                                | 73,768            |
| Transfer, net of non-controlling interests share | -                                     | -                         | -  | -                               | -   | 7,533                                 | (7,533)                      | -                 | -                                     | -                 |
| Dividends  | -                                     | -                         | -  | -                               | -   | -                                     | (72,540)                     | (72,540)          | -                                     | (72,540)          |
| At 30 June 2009 (unaudited)                      | 52,000                                | 63,158                    | 16,008                                     | 17,070                          | 6,095   | 25,922                                | 868,656                      | 1,048,909         | 106,614                               | 1,155,523         |
| Profit for the period                            | -                                     | -                         | -  | -                               | -   | -                                     | 111,454                      | 111,454           | 13,450                                | 124,904           |
| Other comprehensive income for the period        | -                                     | -                         | 7,941                                      | 119                             | -   | -                                     | -                            | 8,060             | 118                                   | 8,178             |
| Total comprehensive income for the period        | -                                     | -                         | 7,941                                      | 119                             | -   | -                                     | 111,454                      | 119,514           | 13,568                                | 133,082           |
| Transfer, net of non-controlling interests share | -                                     | -                         | -  | -                               | 3,064   | 1                                     | (3,065)                      | -                 | -                                     | -                 |
| Dividends  | -                                     | -                         | -  | -                               | -   | -                                     | (24,960)                     | (24,960)          | -                                     | (24,960)          |
| Dividend paid to non-controlling shareholders    | -                                     | -                         | -  | -                               | -   | -                                     | -                            | -                 | (9,555)                               | (9,555)           |
| At 31 December 2009 (audited)                    | 52,000                                | 63,158                    | 23,949                                     | 17,189                          | 9,159   | 25,923                                | 952,085                      | 1,143,463         | 110,627                               | 1,254,090         |
| Profit for the period                            | -                                     | -                         | -  | -                               | -   | -                                     | 114,848                      | 114,848           | 19,537                                | 134,385           |
| Other comprehensive income for the period        | -                                     | -                         | (1,817)                                    | 1,091                           | -   | -                                     | -                            | (726)             | 1,156                                 | 430               |
| Total comprehensive income for the period        | -                                     | -                         | (1,817)                                    | 1,091                           | -   | -                                     | 114,848                      | 114,122           | 20,693                                | 134,815           |
| Dividends  | -                                     | -                         | -  | -                               | -   | -                                     | (58,760)                     | (58,760)          | -                                     | (58,760)          |
| At 30 June 2010 (unaudited)                      | 52,000                                | 63,158                    | 22,132                                     | 18,280                          | 9,159   | 25,923                                | 1,008,173                    | 1,198,825         | 131,320                               | 1,330,145         |

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the subsidiaries of the Company in the PRC.

Non-distributable reserve is the reserve arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   | Six months ended |             |
|---|------------------|-------------|
|   | 30.6.2010        | 30.6.2009   |
|   | HK\$'000         | HK\$'000    |
|   | (unaudited)      | (unaudited) |
| <b>Operating cash flows before movements in working capital</b>                       | <b>234,798</b>   | 169,351     |
| Decrease in trade payables  | (215,533)        | (86,511)    |
| Decrease in rental deposits received, other payables and accrued charges              | (69,491)         | (45,066)    |
| Decrease in amount due to ultimate holding company                                    | (14,525)         | (13,443)    |
| Others  | 97,337           | 67,472      |
| <b>Cash generated from operations</b>   | <b>32,586</b>    | 91,803      |
| People's Republic of China income taxes paid  | (20,507)         | (9,220)     |
| Interest paid   | (3,351)          | (3,553)     |
| Interest on bank deposits, callable time deposits and long term time deposit received | 11,078           | 13,060      |
| <b>Net Cash from Operating Activities</b>   | <b>19,806</b>    | 92,090      |
| <b>Investing Activities</b>   |                  |             |
| Decrease in callable time deposits  | 77,641           | 77,866      |
| Increase in long term time deposit  | -                | (116,430)   |
| Purchase of property, plant and equipment   | (64,542)         | (108,273)   |
| Other investing activities  | (1,202)          | (153)       |
| <b>Net Cash from (used in) Investing Activities</b>                                   | <b>11,897</b>    | (146,990)   |
| <b>Financing Activities</b>   |                  |             |
| Dividend paid   | (58,587)         | (72,218)    |
| Repayment of bank borrowings  | (158,765)        | (158,777)   |
| Bank borrowings raised  | 90,723           | 147,517     |
| <b>Net Cash used in Financing Activities</b>  | <b>(126,629)</b> | (83,478)    |
| <b>Net Decrease in Cash and Cash Equivalents</b>                                      | <b>(94,926)</b>  | (138,378)   |
| <b>Cash and Cash Equivalents at 1 January</b>   | <b>1,903,696</b> | 1,618,932   |
| <b>Effect of Foreign Exchange Rate Changes</b>  | <b>7,510</b>     | 4,546       |
| <b>Cash and Cash Equivalents at 30 June</b><br>represented by Bank balances and cash  | <b>1,816,280</b> | 1,485,100   |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2010.

|                     |   |
|---------------------|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009                                 |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements              |
| HKAS 39 (Amendment) | Eligible Hedged Items                                       |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters               |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions         |
| HKFRS 3 (Revised)   | Business Combinations                                       |
| HK(IFRIC) – Int 17  | Distributions of Non-cash Assets to Owners                  |

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of other new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.



## 2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

|                                |  |
|--------------------------------|--|
| HKFRSs (Amendments)            | Improvements to HKFRSs 2010 <sup>1</sup>   |
| HKAS 24 (Revised)              | Related Party Disclosures <sup>2</sup>   |
| HKAS 32 (Amendment)            | Classification of Rights Issues <sup>3</sup>   |
| HKFRS 1 (Amendment)            | Limited Exemption from Comparative HKFRS 7<br>Disclosures for First-time Adopters <sup>4</sup> |
| HKFRS 9                        | Financial Instruments <sup>5</sup>   |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement <sup>2</sup>                                      |
| HK(IFRIC) – Int 19             | Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company are in the process of assessing the potential impact of the other new or revised Standards, Amendments or Interpretations and so far anticipate that the application of these new or revised Standards, Amendments or Interpretations will have no material financial impact on the results and the financial position of the Group.



### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoiced value of goods, net of discounts, sold to customers, and income from concessionaire sales during the period. An analysis of the Group's revenue for the period is as follows:

|                                  | Six months ended      |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | 30.6.2010<br>HK\$'000 | 30.6.2009<br>HK\$'000 |
| Direct sales                     | 2,647,191             | 2,440,128             |
| Income from concessionaire sales | 415,488               | 375,588               |
| Revenue                          | 3,062,679             | 2,815,716             |

For the six months ended 30 June 2010

|                            | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------|-----------------------|-----------------|-------------------|
| Segment revenue – external | 1,682,652             | 1,380,027       | 3,062,679         |
| Segment profit             | 98,220                | 66,425          | 164,645           |
| Interest income            |                       |                 | 11,078            |
| Finance costs              |                       |                 | (3,351)           |
| Profit before tax          |                       |                 | 172,372           |

For the six months ended 30 June 2009

|                            | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------|-----------------------|-----------------|-------------------|
| Segment revenue – external | 1,585,856             | 1,229,860       | 2,815,716         |
| Segment profit (loss)      | 94,902                | (3,197)         | 91,705            |
| Interest income            |                       |                 | 13,060            |
| Finance costs              |                       |                 | (3,553)           |
| Profit before tax          |                       |                 | 101,212           |

Segment profit/(loss) represents the profit earned by/loss incurred by each segment without allocation of dividend income, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.



#### 4. PRE-OPERATING EXPENSES

The amounts represent the set up costs for new stores. Included in pre-operating expenses were staff costs of HK\$2,365,000 (six months ended 30.6.2009: HK\$4,025,000).

#### 5. FINANCE COSTS

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

#### 6. INCOME TAX EXPENSE

|                                     | Six months ended |           |
|-------------------------------------|------------------|-----------|
|                                     | 30.6.2010        | 30.6.2009 |
|                                     | HK\$'000         | HK\$'000  |
| The charge comprises:               |                  |           |
| Current tax                         |                  |           |
| Hong Kong                           | 19,400           | 12,000    |
| Other regions in the PRC            | 18,861           | 14,075    |
|                                     | 38,261           | 26,075    |
| (Over)underprovision in prior years |                  |           |
| Hong Kong                           | -                | 646       |
| Other regions in the PRC            | (3,752)          | (1,240)   |
|                                     | (3,752)          | (594)     |
| Deferred tax                        |                  |           |
| Current year                        | 3,478            | 5,464     |
| Income tax expense for the period   | 37,987           | 30,945    |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The PRC income tax is calculated at 22% or 25% (six months ended 30.6.2009: 20% or 25%) of the estimated assessable profits of the subsidiaries.

Deferred tax liabilities in respect of the temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment and of the withholding tax at applicable tax rate of the undistributed earnings of subsidiaries have been provided for both periods.



## 7. DIVIDENDS

|  | Six months ended |           |
|--|------------------|-----------|
|  | 30.6.2010        | 30.6.2009 |
|  | HK\$'000         | HK\$'000  |
| Dividend recognised as distribution during the period:   |                  |           |
| Final dividend for 2009 of 22.6 HK cents<br>(2009: 27.9 HK cents for 2008 final dividend) per ordinary share | 58,760           | 72,540    |

The Board of Directors has recommended an interim dividend of 22.1 HK cents (six months ended 30.6.2009: 9.6 HK cents) per share amounting to HK\$57,460,000 (six months ended 30.6.2009: HK\$24,960,000), be paid to the shareholders of the Company whose names appear on the Register of Members on 15 October 2010. The interim dividend will be paid on or before 28 October 2010.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the Group's profit for the period attributable to the owners of the Company of HK\$114,848,000 (six months ended 30.6.2009: HK\$55,694,000) and on 260,000,000 (six months ended 30.6.2009: 260,000,000) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for both periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$65 million (six months ended 30.6.2009: HK\$108 million) to expand its operations.

The Directors conducted a review of the Group's building fixtures during the period and determined that a number of those building fixtures were impaired, as the performance of some stores were below the budget. The recoverable amount of the relevant assets was based on the discounted future cash flows expected to be derived from the assets and was less than the corresponding carrying amount. Accordingly, an impairment loss of HK\$9,525,000 (six months ended 30.6.2009: HK\$2,935,000) has been recognised in the condensed consolidated statement of comprehensive income during the period.

During the period, management reassessed the useful lives of the Group's property, plant and equipment. Before 1 January 2010, building fixtures of the Company's subsidiaries in the PRC were depreciated over the shorter of 5 years or the term of the relevant lease. With effect from 1 January 2010, the remaining net book values of building fixtures of the Company's subsidiaries in the PRC are depreciated over the shorter of 8 years or the term of the relevant lease.

The change in depreciation rate has decreased the depreciation charge for the period by approximately HK\$14,151,000.



## 10. AVAILABLE-FOR-SALE INVESTMENTS

|  | 30.6.2010<br>HK\$'000 | 31.12.2009<br>HK\$'000 |
|--|-----------------------|------------------------|
| Available-for-sale investments comprise: |                       |                        |
| Equity securities:                       |                       |                        |
| Listed shares in Hong Kong at fair value | 23,839                | 25,731                 |
| Debt securities:                         |                       |                        |
| Unlisted club debenture at fair value    | 2,225                 | 2,150                  |
|  | <b>26,064</b>         | <b>27,881</b>          |

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

The listed securities detailed above represent an investment in a fellow subsidiary of HK\$23,839,000 (31.12.2009: HK\$25,731,000).

## 11. CALLABLE TIME DEPOSITS AND LONG TERM TIME DEPOSIT

Callable time deposits (the "Deposits") represent principal protected 5 years United States dollars-denominated deposits due on 24 April 2013, which carry predetermined interest rates. The average effective interest rate is 4.75% per annum. The bank (i.e. the issuer) which issues the Deposits has an option to early redeem the Deposits quarterly or semi-annually at par value. The Group is entitled to interest payments due on the early redemption date. The early redemption option is considered to be closely related embedded derivative.

The Deposits amounting to HK\$77,641,000 were early redeemed during the period.

Long term time deposit represents 3 years United States dollars-denominated time deposit due on 20 April 2012 which carry predetermined fixed interest rate. The effective interest rate is 4% per annum.

## 12. 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 presented based on the invoice date at the end of respective reporting periods:

|                | 30.6.2010<br>HK\$'000 | 31.12.2009<br>HK\$'000 |
|----------------|-----------------------|------------------------|
| Within 30 days | 15,555                | 19,443                 |

## 13. PLEDGED BANK DEPOSITS

As at 30 June 2010, bank deposits of HK\$14.0 million (31.12.2009: HK\$12.5 million) were pledged to banks for guarantee to landlords for rental deposits.



**14. TRADE PAYABLES**

The following is an aged analysis of trade payables presented based on the invoice date at the end of respective reporting periods:

|              | 30.6.2010<br>HK\$'000 | 31.12.2009<br>HK\$'000 |
|--------------|-----------------------|------------------------|
| 0 – 60 days  | 831,601               | 1,041,589              |
| 61 – 90 days | 94,860                | 96,983                 |
| Over 90 days | 86,933                | 85,547                 |
|              | <b>1,013,394</b>      | <b>1,224,119</b>       |

**15. AMOUNTS DUE TO FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY**

The amounts due to fellow subsidiaries and ultimate holding company are trade-related, unsecured and interest free. The amounts are aged within 60 days based on the invoice date at the end of respective reporting periods.

**16. BANK BORROWINGS**

The bank borrowings represent unsecured bank borrowings denominated in Renminbi which carry interest at floating rates and are repayable within three years.

**17. CAPITAL COMMITMENTS**

|   | 30.6.2010<br>HK\$'000 | 31.12.2009<br>HK\$'000 |
|---|-----------------------|------------------------|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | 7,478                 | 7,963                  |
| Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for  | 16,293                | 200                    |



## 18. RELATED PARTY TRANSACTIONS

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

| Capacity                        | Nature of transaction  | Six months ended   |                       |        |
|---------------------------------|--|--|-----------------------|--------|
|                                 |  | 30.6.2010<br>HK\$'000                                      | 30.6.2009<br>HK\$'000 |        |
| Fellow subsidiaries             | Franchise fee, consumable expenses<br>and purchase of machines | 187  | 264                   |        |
|                                 | Interest income  | -  | 132                   |        |
|                                 | Commission for credit facilities<br>provided to customers      | 5,966  | 5,267                 |        |
|                                 | Purchase of goods  | 67,279   | 61,247                |        |
|                                 | Rental income  | 4,178  | 3,731                 |        |
|                                 | Outsourcing service fee  | 2,244  | 1,226                 |        |
|                                 | Other income   | 3,845  | 98                    |        |
|                                 | Other expenses   | 101  | -                     |        |
|                                 | Ultimate holding company                                       | Royalty expenses   | 17,874                | 16,263 |
|                                 | Non-controlling shareholders<br>of the subsidiaries            | Rental expenses, management fees<br>and utilities expenses | 24,787                | 24,900 |
| Advertising expenses            |  | 565  | -                     |        |
| Related company (Note)          | Purchase of goods  | 64   | 203                   |        |
| Directors and key<br>management | Remuneration   | 5,738  | 5,623                 |        |

Note: One of the Directors of the Company has a beneficial interest in the related company.

Outstanding balances as at the end of respective reporting periods arising from the above transactions with related parties were as set out in the condensed consolidated statement of financial position except for the following balance, which is included in other receivables, prepayments and deposits:

|   | 30.6.2010<br>HK\$'000 | 31.12.2009<br>HK\$'000 |
|---|-----------------------|------------------------|
| Amounts due from non-controlling shareholders of the subsidiaries | 5,609                 | 5,621                  |



## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 October 2010 to 15 October 2010 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, at 26 Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 October 2010.

## BUSINESS REVIEW

For the six months ended 30 June 2010, the Group recorded revenue of HK\$3,062.7 million, representing a 9% growth against HK\$2,815.7 million for the last corresponding period. The growth was mainly attributable to improved performance of both newly opened stores and existing stores as the economy revived spurring better consumer sentiment in both Hong Kong and the PRC. The gross profit margin slightly lowered from 31.9% in the last corresponding period to 31.5%. Profit attributable to shareholders achieved a substantial increase of 106% to HK\$114.8 million as compared to HK\$55.7 million in the last corresponding period. Besides a strong performance, the significant growth was due to the dragging down of the last corresponding period's performance by the one-off impairment loss arising from certain refundable prepaid rentals not being accepted in arbitration.

For the first half of 2010, the global economy has been recovering from the downturn brought on by the financial tsunami in the last corresponding period. The gradually improving income and employment conditions amidst an ongoing economic recovery have been providing continual support to retail business. Boosted by the improved consumer sentiment, the Group's Hong Kong operations recorded HK\$1,682.7 million in revenue, a 6% growth against HK\$1,585.9 million in the last corresponding period. Segment profit also rose moderately by 3% from HK\$94.9 million to HK\$98.2 million, mainly attributable to the improved economic conditions.

During the period, the Group closed the store in Lok Fu in February and relocated it to MegaBox, Kowloon Bay. Opened in June, the new Kowloon Bay Store is the Group's largest store in Kowloon East, which continues to serve the tremendous demand in the district. The Group opened two more stores in Tsim Sha Tsui and Ngau Tau Kok all of which delivered satisfactory performances. As at the end of the review period, the Group had 34 stores operating in densely populated residential districts in Hong Kong.

Backed by the economic stimulus measures launched by the Chinese Government and the revival of exports, the economy in south China has recorded a significant growth in the first half of 2010 after the rebound in late 2009. The Group recorded a 12% increase in revenue from the PRC market, rising from HK\$1,229.9 million in the last corresponding period to HK\$1,380.0 million in the reviewing period. The increase is attributable to the improved performance of existing stores and a new store opened in Guangzhou Jiayu Sun City Plaza, as well as a full six months contribution from the stores in Foshan (opened since May 2009), Shenzhen (opened since July 2009) and Guangzhou (opened since October 2009). This strong growth is even better than indicated, given that one store in China Plaza in Guangzhou was closed during the review period. Benefiting from the strong growth in domestic demand and consumption, and improved performance of the newly opened stores, the PRC operations achieved segmental profit for the period of HK\$66.4 million as compared to loss of HK\$3.2 million in the last corresponding period. Excluding the effect from changing the expected useful lives of building fixtures which had saved HK\$14.2 million from depreciation during the period, the segment still recorded a profit of HK\$52.2 million for the reviewing period.



## BUSINESS REVIEW – Continued

During the review period, the Group opened one store and closed one in south China, operating a total of 15 stores as at 30 June 2010.

During the review period, the ratio of staff cost to revenue improved from 10.4% to 9.8%, a result of effective cost-trimming measures, whereas that of rental cost to revenue also declined from 11.3% to 10.4%. Excluding the impairment loss of prepaid rental in the last corresponding period, the ratio of rental cost to revenue would have also recorded an improvement from 10.9% to 10.4%.

The Group maintained a stable net cash position with cash and bank balances of HK\$1,816 million as at 30 June 2010 (31 December 2009: HK\$1,904 million) and bank borrowings of HK\$103 million (31 December 2009: HK\$170 million). The borrowings were denominated in Renminbi, bearing interest calculated with reference to the People's Bank of China lending rate. The Group has sufficient financial resources to fund future expansion.

The Group's bank deposits of HK\$14 million (31 December 2009: HK\$12 million) were pledged to banks as guarantee to landlords for rental deposits.

Capital expenditure for the period amounting to HK\$65 million was used for the opening of new stores and renovation of existing stores. The Group will continue to finance capital expenditures with internal resources and short-term borrowings.

Fluctuation of exchange rates had no material impact on the Group as less than 5% of its total purchases was settled in foreign currencies.

## PROSPECTS

### Hong Kong Operations

Looking ahead, the local economy is expected to continue to thrive. The current positive consumer sentiment is likely to be maintained. However, the recently increased level of uncertainty in the global economic environment, together with consolidation in the asset markets, may temper somewhat the growth momentum of local consumer demand. Therefore, the Group believes the performance of retail sales in the second half of the year may not be as robust as in the first half, but remains cautiously optimistic about the prospects of its operations in Hong Kong in the years to come.

In early June, the Group opened its largest store in Kowloon East at MegaBox, Kowloon Bay. The new store is decorated in a young, energetic and fresh manner to convey a modern Japanese lifestyle. It also carries a great variety of products that best serve the needs of the different family types in the district. Supported by the huge population in the area as well as growing working population and visitors, the Group has recorded an excellent performance from the new store, and is confident about the business potential of the outlet.

To further leverage the emerging business opportunities in the improving economy, and expand the reach of its retail network within the local community, the Group will continue to look for suitable locations to open more stores. The Group will also explore new business models so as to speed up business expansion and address the changing needs of customers.



# PROSPECTS – Continued

## PRC Operations

Through the support of the Chinese Government's economic stimulus plan and continued strong economic growth, rising domestic demand and consumption in the PRC are expected. The Group is optimistic about the outlook of the retail market in south China. In order to strengthen its foothold and tap the tremendous business potential, the Group plans expansion in 2010 at its fastest pace to date. The Group has introduced a new store in Shenzhen, the PRC in August with a modern style and décor. Subsequently, there will be two-to-three more stores during the second half of 2010 in Guangzhou and the Group also plans to open one more store in Dongguan by 2010. The Group will continue to extend the reach of its retail outlets when suitable locations are identified.

## HUMAN RESOURCES

As at 30 June 2010, the Group had approximately 6,200 full-time and 1,500 part-time employees in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices of the industry. Committed to delivering the highest standard of service to all its customers, the Group intends to continue to place efforts at enhancing the quality and skills of its staff. Concurrently, it strives to create an environment where employees can grow and enjoy a sense of camaraderie as well as loyalty to the Group.

## CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company's cash-settled share-based payment scheme was adopted for the primary purpose of providing incentives to Directors and eligible employees. The Company issued to eligible persons under the scheme share appreciation rights (the "SARs") that require the Company to pay the intrinsic value of the SARs to the employee at the date of exercise.

Details of the SARs are as follows:

| Date of grant | Exercise price<br>HK\$ | Vesting period         | Exercise period        | Number of underlying SARs  |                              |                                |                                |                                |                             |
|---------------|------------------------|------------------------|------------------------|----------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|
|               |                        |                        |                        | Outstanding<br>at 1.1.2010 | Granted during<br>the period | Exercised during<br>the period | Cancelled during<br>the period | Forfeited during<br>the period | Outstanding<br>at 30.6.2010 |
| Directors     |                        |                        |                        |                            |                              |                                |                                |                                |                             |
| 25.9.2009     | 15.236                 | 1.6.2008 to 31.5.2009  | 1.6.2009 to 31.5.2015  | 60,000                     | -                            | -                              | -                              | 6,000                          | 54,000                      |
|               | 15.236                 | 1.6.2008 to 31.5.2010  | 1.6.2010 to 31.5.2015  | 60,000                     | -                            | -                              | -                              | 6,000                          | 54,000                      |
|               | 15.236                 | 1.6.2008 to 31.5.2011  | 1.6.2011 to 31.5.2015  | 80,000                     | -                            | -                              | -                              | 8,000                          | 72,000                      |
|               | 13.500                 | 25.9.2009 to 24.9.2010 | 25.9.2010 to 24.9.2016 | 97,200                     | -                            | -                              | -                              | 8,400                          | 88,800                      |
|               | 13.500                 | 25.9.2009 to 24.9.2011 | 25.9.2011 to 24.9.2016 | 97,200                     | -                            | -                              | -                              | 8,400                          | 88,800                      |
|               | 13.500                 | 25.9.2009 to 24.9.2012 | 25.9.2012 to 24.9.2016 | 129,600                    | -                            | -                              | -                              | 11,200                         | 118,400                     |



## CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – Continued

| Date of grant | Exercise price<br>HK\$ | Vesting period         | Exercise period        | Number of underlying SARs  |                              |                                |                                |                                | Outstanding<br>at 30.6.2010 |
|---------------|------------------------|------------------------|------------------------|----------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|
|               |                        |                        |                        | Outstanding<br>at 1.1.2010 | Granted during<br>the period | Exercised during<br>the period | Cancelled during<br>the period | Forfeited during<br>the period |                             |
| Employees     |                        |                        |                        |                            |                              |                                |                                |                                |                             |
| 25.9.2009     | 15.236                 | 1.6.2008 to 31.5.2009  | 1.6.2009 to 31.5.2015  | 4,800                      | -                            | -                              | -                              | -                              | 4,800                       |
|               | 15.236                 | 1.6.2008 to 31.5.2010  | 1.6.2010 to 31.5.2015  | 4,800                      | -                            | -                              | -                              | -                              | 4,800                       |
|               | 15.236                 | 1.6.2008 to 31.5.2011  | 1.6.2011 to 31.5.2015  | 6,400                      | -                            | -                              | -                              | -                              | 6,400                       |
|               | 13.500                 | 25.9.2009 to 24.9.2010 | 25.9.2010 to 24.9.2016 | 10,200                     | -                            | -                              | -                              | -                              | 10,200                      |
|               | 13.500                 | 25.9.2009 to 24.9.2011 | 25.9.2011 to 24.9.2016 | 10,200                     | -                            | -                              | -                              | -                              | 10,200                      |
|               | 13.500                 | 25.9.2009 to 24.9.2012 | 25.9.2012 to 24.9.2016 | 13,600                     | -                            | -                              | -                              | -                              | 13,600                      |
|               |                        |                        |                        | 574,000                    | -                            | -                              | -                              | 48,000                         | 526,000                     |

The fair value of the SARs is determined using the Binomial model based on the following assumptions:

- Risk free interest rate based on the Hong Kong government bond with maturity matches with the contractual term of the SARs
- Expected volatility based on the historical share price movement of the Company over the period that consistent with the remaining contractual life of the SARs
- Dividend yield                    3% as referenced to the past dividend yields
- Number of steps                100 nodes
- Exercise multiple                2.2 times

At 30 June 2010, the market value per share was HK\$11.48.

## DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENTS PURSUANT TO THE COMPANY'S STOCK APPRECIATION RIGHTS SCHEMES

As at 30 June 2010, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (a) The Company

| Name of Directors      | Number of ordinary shares held as personal interests | Number of ordinary shares held as family interests | Number of underlying shares held as personal interests (Note) | Approximate aggregate percentage of interests in the issued share capital of the Company |
|------------------------|--|--|---|--|
|                        |  |  |   | %  |
| LAM Man Tin            | 20,000   | –  | 456,000   | 0.183  |
| CHAN Pui Man Christine | 6,000  | –  | 20,000  | 0.010  |
| Akihito TANAKA         | 50,000   | –  | –   | 0.019  |
| Kazumasa ISHII         | 40,000   | –  | –   | 0.015  |
| LAM PEI Peggy          | 200,000  | –  | –   | 0.077  |
| SHAO Kung Chuen        | 4,000  | 4,000  | –   | 0.003  |

Note: This column represents interests in Stock Appreciation Rights, details of which are set out in paragraph (d) below.

### (b) AEON Co., Ltd., the Company's ultimate holding company

| Name of Directors | Number of shares held as personal interests | Approximate percentage of interests |
|-------------------|---|-------------------------------------|
|                   |   | %                                   |
| Akihito TANAKA    | 15,300                                      | 0.0019                              |
| Kazumasa ISHII    | 9,000                                       | 0.0011                              |
| Yuji YONETA       | 800   | 0.0001                              |



## DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENTS PURSUANT TO THE COMPANY'S STOCK APPRECIATION RIGHTS SCHEMES – Continued

### (c) Other associated corporations

|                                   | Akihito TANAKA                                 |   |
|-----------------------------------|--|---|
|                                   | Number of shares held<br>as personal interests | Approximate percentage<br>of interests<br>% |
| AEON Fantasy Co., Ltd.            | 3,801  | 0.021                                       |
| AEON Thana Sinsap (Thailand) Plc. | 20,000   | 0.008                                       |
| AEON Mall Co., Ltd.               | 4,000  | 0.002                                       |
| AEON Co. (M) Bhd.                 | 200,000  | 0.057                                       |
| Ryukyu JUSCO Co., Ltd.            | 100  | 0.018                                       |

### (d) Stock Appreciation Rights

i The Stock Appreciation Rights of the Company are a form of cash settled equity derivative. Particulars of the Stock Appreciation Rights Schemes of the Company are set out in the note Cash-settled Share-based Payment Transactions above.

ii. As at 30 June 2010, certain Directors had interests in Stock Appreciation Rights granted under the Company's Stock Appreciation Rights Schemes as follows:

| Name of Directors      | Capacity         | Number of underlying<br>shares of the Company |
|------------------------|------------------|---|
| LAM Man Tin            | Beneficial owner | 456,000                                       |
| CHAN Pui Man Christine | Beneficial owner | 20,000  |

# DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENTS PURSUANT TO THE COMPANY'S STOCK APPRECIATION RIGHTS SCHEMES – Continued

## (d) Stock Appreciation Rights – Continued

- iii. The particulars of Stock Appreciation Rights granted to the Directors and the movement during the period were as follows:

| Name of Directors<br>and date of grant | Exercise price<br>HK\$ | Exercise period        | Number of underlying shares of the Company |                                 |                                   |                                   | Outstanding<br>at 30.6.2010 |
|--|------------------------|------------------------|--|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
|  |                        |                        | Outstanding<br>at 1.1.2010                 | Granted<br>during<br>the period | Exercised<br>during<br>the period | Cancelled<br>during<br>the period |                             |
| <b>LAM Man Tin</b>                     |                        |                        |  |                                 |                                   |                                   |                             |
| 25.9.2009                              | 15.236                 | 1.6.2009 to 31.5.2015  | 54,000                                     | -                               | -                                 | -                                 | 54,000                      |
|  | 15.236                 | 1.6.2010 to 31.5.2015  | 54,000                                     | -                               | -                                 | -                                 | 54,000                      |
|  | 15.236                 | 1.6.2011 to 31.5.2015  | 72,000                                     | -                               | -                                 | -                                 | 72,000                      |
|  | 13.500                 | 25.9.2010 to 24.9.2016 | 82,800                                     | -                               | -                                 | -                                 | 82,800                      |
|  | 13.500                 | 25.9.2011 to 24.9.2016 | 82,800                                     | -                               | -                                 | -                                 | 82,800                      |
|  | 13.500                 | 25.9.2012 to 24.9.2016 | 110,400                                    | -                               | -                                 | -                                 | 110,400                     |
| <b>WONG Mun Yu</b>                     |                        |                        |  |                                 |                                   |                                   |                             |
| 25.9.2009                              | 15.236                 | 1.6.2009 to 31.5.2015  | 6,000                                      | -                               | -                                 | -                                 | 6,000                       |
|  | 15.236                 | 1.6.2010 to 31.5.2015  | 6,000                                      | -                               | -                                 | -                                 | 6,000                       |
|  | 15.236                 | 1.6.2011 to 31.5.2015  | 8,000                                      | -                               | -                                 | -                                 | 8,000                       |
|  | 13.500                 | 25.9.2010 to 24.9.2016 | 8,400                                      | -                               | -                                 | -                                 | 8,400                       |
|  | 13.500                 | 25.9.2011 to 24.9.2016 | 8,400                                      | -                               | -                                 | -                                 | 8,400                       |
|  | 13.500                 | 25.9.2012 to 24.9.2016 | 11,200                                     | -                               | -                                 | -                                 | 11,200                      |
| <b>CHAN Pui Man</b>                    |                        |                        |  |                                 |                                   |                                   |                             |
| <b>Christine</b>                       |                        |                        |  |                                 |                                   |                                   |                             |
| 25.9.2009                              | 13.500                 | 25.9.2010 to 24.9.2016 | 6,000                                      | -                               | -                                 | -                                 | 6,000                       |
|  | 13.500                 | 25.9.2011 to 24.9.2016 | 6,000                                      | -                               | -                                 | -                                 | 6,000                       |
|  | 13.500                 | 25.9.2012 to 24.9.2016 | 8,000                                      | -                               | -                                 | -                                 | 8,000                       |

Other than as disclosed above, at 30 June 2010, neither the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of PART XV of the SFO).



## SUBSTANTIAL SHAREHOLDERS

At 30 June 2010, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or had otherwise notified the Company were as follows:

| Name of substantial shareholders  | Long Positions<br>Number of ordinary shares held | Approximate percentage<br>of the issued share capital<br>% |
|---|--|--|
| AEON Co., Ltd.  | 186,276,000 (Note 1)                             | 71.64  |
| Aberdeen Asset Management Plc and its<br>Associates (together "the Aberdeen Group")<br>on behalf of accounts managed by<br>the Aberdeen Group | 25,998,000 (Note 2)                              | 9.99   |
| Commonwealth Bank of Australia  | 12,990,000                                       | 5.00   |

Note 1: These shares are held as to 177,500,000 shares by AEON Co., Ltd., 7,000,000 shares by AEON (U.S.A.), Inc., and 1,776,000 shares by AEON Credit Service (Asia) Company Limited ("ACS").

AEON (U.S.A.), Inc. is a wholly-owned subsidiary of AEON Co., Ltd. and AEON Co., Ltd. is deemed to be interested in the 7,000,000 shares owned by AEON (U.S.A.), Inc.

ACS is owned by AEON Co., Ltd., AEON Credit Service Co., Ltd. and the Company as to 55,990,000 shares representing 13.37%, 217,514,000 shares representing 51.94%, and 3,784,000 shares representing 0.90% respectively of the issued share capital of ACS.

By virtue of its ownership of 45.28% and 71.64% of the issued share capital of AEON Credit Service Co., Ltd. and the Company respectively, AEON Co., Ltd. is deemed to be interested in the 1,776,000 shares owned by ACS.

Note 2: These shares are held by Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group in the capacity of an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30 June 2010.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## CORPORATE GOVERNANCE

The Board of Directors of the Company has complied throughout the six months ended 30 June 2010 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2010 with management.

By order of the Board of  
**AEON Stores (Hong Kong) Co., Limited**  
**LAM Man Tin**  
*Managing Director*

Hong Kong, 25 August 2010