



AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2015 Interim Report

Stock Code: 984



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHAN Pui Man Christine (*Managing Director*)
MIZUSHIMA Yoshiaki (*Deputy Managing Director*)
CHAK Kam Yuen
YAJIMA Hideaki

Non-executive Directors

HABU Yuki (*Chairman*)
WAKO Shinya

Independent Non-executive Directors

CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty

NOMINATION COMMITTEE

HABU Yuki (*Chairman*)
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty

REMUNERATION COMMITTEE

CHAN Yi Jen Candi Anna (*Chairman*)
HABU Yuki
CHENG Yin Ching Anna
LO Miu Sheung Betty

AUDIT COMMITTEE

CHENG Yin Ching Anna (*Chairman*)
HABU Yuki
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty

COMPANY SECRETARY

CHAN Kwong Leung Eric

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Mizuho Bank, Ltd.
The Bank of Tokyo — Mitsubishi UFJ, Ltd.
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRARS

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

G-4 Floor, Kornhill Plaza (South)
2 Kornhill Road, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7/F., D2 Place
9 Cheung Yee Street
Lai Chi Kok, Kowloon
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STOCK CODE

984

WEBSITE

www.aeonstores.com.hk

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 2015 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	Six months ended	
		30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
Revenue	3	4,498,539	4,393,855
Other income		339,414	335,818
Investment income		16,416	12,703
Purchase of goods and changes in inventories		(3,101,266)	(3,047,514)
Staff costs		(547,672)	(513,144)
Depreciation		(95,528)	(97,213)
Loss on disposal of property, plant and equipment		(288)	(926)
Gain on fair value change of an investment property		—	40,000
Other expenses		(1,042,843)	(1,024,751)
Finance costs	4	(117)	(155)
Profit before tax		66,655	98,673
Income tax expense	5	(8,068)	(11,325)
Profit for the period		58,587	87,348
Profit for the period attributable to:			
Owners of the Company		48,659	81,937
Non-controlling interests		9,928	5,411
		58,587	87,348
Earnings per share	7	18.72 HK cents	31.51 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
Profit for the period	58,587	87,348
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	1,063	(3,105)
Fair value gain (loss) on available-for-sale investments	1,958	(2,762)
Other comprehensive income (expense) for the period, net of income tax	3,021	(5,867)
Total comprehensive income for the period	61,608	81,481
Total comprehensive income attributable to:		
Owners of the Company	51,144	77,537
Non-controlling interests	10,464	3,944
	61,608	81,481

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Non-current Assets			
Goodwill		94,838	94,838
Property, plant and equipment	8	597,055	640,750
Available-for-sale investments	9	25,203	23,245
Deferred tax assets		62,308	57,318
Rental deposits paid		130,305	123,160
Pledged bank deposits	10	17,295	29,277
		927,004	968,588
Current Assets			
Inventories		831,555	802,672
Trade receivables	11	36,433	33,220
Other receivables, prepayments and deposits		233,480	222,966
Amounts due from fellow subsidiaries		65,278	131,586
Time deposits	12	918,858	6,313
Pledged bank deposits	10	30,824	18,686
Bank balances and cash		2,033,880	2,426,922
		4,150,308	3,642,365
Asset classified as held for sale	13	—	629,000
		4,150,308	4,271,365
Current Liabilities			
Trade payables	14	1,344,777	1,422,786
Other payables and accrued charges		1,312,843	1,362,522
Amount due to ultimate holding company	15	75,566	51,620
Amounts due to fellow subsidiaries	15	61,424	61,331
Obligation under a finance lease		958	913
Income tax payable		22,890	10,190
Dividend payable		728	634
		2,819,186	2,909,996
Liability associated with asset classified as held for sale	13	—	63,380
		2,819,186	2,973,376
Net Current Assets		1,331,122	1,297,989
Total Assets Less Current Liabilities		2,258,126	2,266,577
Capital and Reserves			
Share capital		115,158	115,158
Reserves		1,790,176	1,807,030
		1,905,334	1,922,188
Equity attributable to owners of the Company		1,905,334	1,922,188
Non-controlling interests		171,713	161,249
Total Equity		2,077,047	2,083,437
Non-current Liabilities			
Rental deposits received and other liabilities		173,852	171,976
Obligation under a finance lease		1,329	1,813
Deferred tax liabilities		5,898	9,351
		181,079	183,140
		2,258,126	2,266,577

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company									
	Share capital	Share premium	Investment revaluation reserve	Translation reserve	The People's Republic of China ("PRC") statutory reserves	Non-distributable reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (audited)	52,000	63,158	24,784	43,485	28,890	64,015	1,499,428	1,775,760	153,326	1,929,086
Profit for the period	–	–	–	–	–	–	81,937	81,937	5,411	87,348
Other comprehensive expense for the period	–	–	(2,762)	(1,638)	–	–	–	(4,400)	(1,467)	(5,867)
Total comprehensive (expense) income for the period	–	–	(2,762)	(1,638)	–	–	81,937	77,537	3,944	81,481
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	63,158	(63,158)	–	–	–	–	–	–	–	–
Dividends recognised as distribution (Note 6)	–	–	–	–	–	–	(33,540)	(33,540)	–	(33,540)
Unclaimed dividends forfeited	–	–	–	–	–	–	58	58	–	58
At 30 June 2014 (unaudited)	115,158	–	22,022	41,847	28,890	64,015	1,547,883	1,819,815	157,270	1,977,085
Profit for the period	–	–	–	–	–	–	175,628	175,628	2,989	178,617
Other comprehensive (expense) income for the period	–	–	(1,181)	986	–	–	–	(195)	990	795
Total comprehensive (expense) income for the period	–	–	(1,181)	986	–	–	175,628	175,433	3,979	179,412
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(73,060)	(73,060)	–	(73,060)
At 31 December 2014 (audited)	115,158	–	20,841	42,833	28,890	64,015	1,650,451	1,922,188	161,249	2,083,437
Profit for the period	–	–	–	–	–	–	48,659	48,659	9,928	58,587
Other comprehensive income for the period	–	–	1,958	527	–	–	–	2,485	536	3,021
Total comprehensive income for the period	–	–	1,958	527	–	–	48,659	51,144	10,464	61,608
Dividends recognised as distribution (Note 6)	–	–	–	–	–	–	(68,120)	(68,120)	–	(68,120)
Unclaimed dividends forfeited	–	–	–	–	–	–	122	122	–	122
At 30 June 2015 (unaudited)	115,158	–	22,799	43,360	28,890	64,015	1,631,112	1,905,334	171,713	2,077,047

The Company has no authorised share capital and its shares have no par value since the commencement of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

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 2015

	Six months ended	
	30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
Operating Activities		
Operating cash flows before movements in working capital	148,138	145,417
(Increase) decrease in inventories	(29,203)	91,312
(Increase) decrease in trade receivables	(3,424)	12,001
(Increase) decrease in other receivables, prepayments and deposits	(16,408)	27,463
Decrease in amounts due from fellow subsidiaries	66,448	36,914
Decrease in trade payables	(80,514)	(147,805)
Decrease in other payables and accrued charges	(57,056)	(133,392)
Increase in amount due to ultimate holding company	23,947	25,918
Increase (decrease) in amounts due to fellow subsidiaries	6	(29,585)
Cash generated from operations	51,934	28,243
PRC income taxes paid	(3,655)	(1,084)
Interest paid	(117)	(155)
Interest on bank deposits and time deposits received	16,414	12,703
Net Cash From Operating Activities	64,576	39,707
Investing Activities		
Purchase of property, plant and equipment	(51,213)	(54,210)
Proceeds from disposal of property, plant and equipment	93	5
Proceeds from disposal of an investment property	570,420	—
Dividend received from listed investment securities	2	—
Placement of time deposits	(918,633)	(11,293)
Withdrawal of time deposits	6,326	352,054
Net Cash (Used in) From Investing Activities	(393,005)	286,556
Financing Activities		
Dividend paid	(67,904)	(33,466)
Repayment of obligation under a finance lease	(584)	(587)
Others	137	182
Net Cash Used in Financing Activities	(68,351)	(33,871)
Net (Decrease) Increase in Cash and Cash Equivalents	(396,780)	292,392
Cash and Cash Equivalents at 1 January	2,426,922	1,966,217
Effect of Foreign Exchange Rate Changes	3,738	(9,950)
Cash and Cash Equivalents at 30 June, represented by bank balances and cash	2,033,880	2,248,659

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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”). The Group has not early adopted the amendments to Appendix 16 issued by the Stock Exchange of Hong Kong Limited in early 2015 that are effective for accounting period ending on or after 31 December 2015.

The financial information relating to the year ended 31 December 2014 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, certain new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Direct sales	4,040,617	3,926,146
Income from concessionaire sales	457,922	467,709
	4,498,539	4,393,855

Information reported to the Group's chief operating decision makers (i.e. the executive directors) for the purposes of resources allocation and assessment of performance is focused on the retail stores of the Group located in different locations. The reportable segments represented the aggregate of operating segments with similar economic characteristics. The chief operating decision makers identify Hong Kong and the PRC as the two reportable segments.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

For the six months ended 30 June 2015

	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue — external	1,872,453	2,626,086	4,498,539
Segment profit	23,565	20,184	43,749
Finance costs			(117)
Investment income			16,416
Rental income on an investment property			6,607
Profit before tax			66,655

For the six months ended 30 June 2014

	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue — external	1,935,290	2,458,565	4,393,855
Segment profit (loss)	44,659	(8,444)	36,215
Finance costs			(155)
Gain on fair value change of an investment property			40,000
Investment income			12,703
Rental income on an investment property			9,910
Profit before tax			98,673

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of finance costs, gain on fair value change of an investment property, investment income and rental income on an investment property. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Interest on finance leases	117	155

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax		
Hong Kong	11,200	10,800
Other regions in the PRC	5,130	4,104
	16,330	14,904
Deferred tax	(8,262)	(3,579)
Income tax expense for the period	8,068	11,325

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

The PRC income tax is calculated at 25% of the estimated assessable profits of the subsidiaries for both periods.

Deferred tax for both periods also attributable to the temporary differences arising from accelerated tax depreciation, provision for staff costs and other expenses, other temporary differences and the withholding tax at applicable tax rate of the undistributed profits of subsidiaries.

6. DIVIDENDS

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2014 of 26.2 HK cents (six months ended 30.6.2014: 12.9 HK cents for 2013 final dividend) per ordinary share	68,120	33,540

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 10.1 HK cents (six months ended 30.6.2014: 8.1 HK cents) per ordinary share amounting to HK\$26,260,000 (six months ended 30.6.2014: HK\$21,060,000) and a special dividend of nil (six months ended 30.6.2014: 20.0 HK cents) per ordinary share amounting to nil (six months ended 30.6.2014: HK\$52,000,000) will be paid to the owners of the Company whose name appear in the Register of Members on 30 September 2015. The interim dividend will be paid on or before 16 October 2015.

7. 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\$48,659,000 (six months ended 30.6.2014: HK\$81,937,000) and on 260,000,000 (six months ended 30.6.2014: 260,000,000) ordinary shares in issue during the period.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$51,213,000 (six months ended 30.6.2014: HK\$47,607,000) to expand its operations.

The management conducted impairment assessment on the relevant stores, which constitutes individual cash-generating units ("CGU") for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of value in use of the stores to which the relevant assets belong to. The value in use calculations use cash flow projections based on the latest financial budgets approved by the Company's management covering a period of 5 years, together with an extension period to the end of the relevant leases of the building fixtures with zero growth rate, and at a discount rate of 7% to 10%. Cash flow projections during the budget period were based on the expected gross margins during the budget period and the budgeted margins have been determined based on past performance and management's expectations for the market development. No impairment loss has been recognised in respect of property, plant and equipment of the Group in both periods.

As at 30 June 2015, accumulated impairment loss on property, plant and equipment of the Group is HK\$214,958,000 (31.12.2014: HK\$214,958,000).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Equity securities:		
Listed shares in Hong Kong at fair value	25,203	23,245

Included in listed shares in Hong Kong is an investment in a fellow subsidiary of HK\$24,974,400 (31.12.2014: HK\$23,045,000).

The fair value of equity securities have been determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited. The fair value of this investment was classified as Level 1 of the fair value hierarchy. There were no transfers between Levels.

10. PLEDGED BANK DEPOSITS

	30.6.2015		31.12.2014	
	Non-current HK\$'000	Current HK\$'000	Non-current HK\$'000	Current HK\$'000
Bank deposits were pledged for the following purposes:				
As guarantee to landlords for rental deposits	16,966	14,547	28,949	2,462
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	329	16,277	328	16,224
	17,295	30,824	29,277	18,686

11. 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 the reporting periods, which approximated the respective revenue recognition dates:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
Within 30 days	34,134	32,622
31 to 60 days	239	94
Over 60 days	2,060	504
	36,433	33,220

12. TIME DEPOSITS

As at 31 December 2014, time deposits represented Renminbi-denominated time deposits amounting to HK\$6,313,000 with an original maturity of three months or more to five years. The average effective interest rate of Renminbi-denominated time deposits was 2.82% per annum. The deposit expired during the six months ended 30 June 2015.

As at 30 June 2015, time deposits represent Renminbi-denominated time deposits amounting to HK\$184,934,000, United States dollar-denominated time deposits amounting to HK\$163,398,000 and Hong Kong dollar-denominated time deposits amounting to HK\$570,526,000 with an original maturity of three months or more to one year. The average effective interest rate of Renminbi-denominated, United States dollar-denominated and Hong Kong dollar-denominated time deposits is 2.97%, 1.26% and 1.43% per annum, respectively. The deposits will expire within one year from the end of the reporting period. Accordingly, these amounts are classified as current.

13. ASSET CLASSIFIED AS HELD FOR SALE AND LIABILITY ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

On 23 October 2014, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group agreed to sell and the purchaser agreed to purchase the Group's investment property, Wilson Logistics Centre, located at Nos. 24–28 Kung Yip Street, Kwai Chung, New Territories, Hong Kong (Kwai Chung Town Lot No. 289) with a registered site area of about 30,665 square feet (the "Property"), for a consideration of HK\$633,800,000 (the "Disposal"). As at 31 December 2014, the Disposal has yet to be completed and accordingly, the Group has reclassified the Property amounting to HK\$629,000,000 (net of directly attributable cost of HK\$4,800,000) as "Asset classified as held for sale" in compliance with the relevant accounting standard, HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The related deposit received on the Disposal amounting to HK\$63,380,000 has been classified as "Liability associated with asset classified as held for sale".

The fair value of the Property at 31 December 2014 has been arrived based on quoted bid price in an active market which is the recent transaction price of the Disposal. Therefore, the Property is categorised into Level 1 of the fair value hierarchy.

During the six month ended 30 June 2015, the Disposal was completed and accordingly, the Group has derecognised the Property.

14. TRADE PAYABLES

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

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
0 to 60 days	1,143,272	1,231,450
61 to 90 days	88,131	85,290
Over 90 days	113,374	106,046
	1,344,777	1,422,786

15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

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

16. CAPITAL COMMITMENTS

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	8,149	15,709
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	142,085	87,717

17. RELATED PARTY TRANSACTIONS

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

Capacity	Nature of transaction	Six months ended	
		30.6.2015 HK\$'000	30.6.2014 HK\$'000
Fellow subsidiaries	Commission for credit facilities provided to the customers	6,917	6,997
	Consultancy fee	878	888
	Franchise fee, consumable expenses and purchase of machines	313	121
	Other income	1,072	309
	Outsourcing service expense	4,791	5,682
	Purchase of goods	131,513	123,641
	Recharge for administrative expenses	190	9
	Reimbursement income of administrative expenses	391	518
	Rental income	8,685	8,195
	Service fee expense	43,573	48,051
Ultimate holding company	Royalty expenses	25,013	25,138
Non-controlling shareholders of the subsidiaries*	Advertising expenses	1,980	1,858
	Rental expenses, management fees and utilities expenses	32,190	28,979
Directors and key management	Remuneration	4,152	5,918

* Non-controlling shareholders have significant influence over the subsidiaries.

Outstanding balances as at the end of 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:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
Amounts due from non-controlling shareholders of the subsidiaries (included in other receivables, prepayments and deposits)	6,357	5,969

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 September 2015 to 30 September 2015 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to the proposed interim dividend, during which period no transfers of Shares will be registered. In order to qualify for the proposed 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 Level 22 Hopewell Centre, 183 Queen's Road East Hong Kong not later than 4:30 p.m. on 25 September 2015.

BUSINESS REVIEW

As 2015 began, global economic uncertainties lingered. While the retail industry in both Hong Kong and China remained stagnant, the Group continued to execute its effective strategies to enhance the performance of existing stores as a first priority, thereby successfully recording increases in both revenue and profit of its core businesses. For the six months ended 30 June 2015, despite the challenging business environment, revenue of the Group still rose by 2.4% to HK\$4,498.5 million (2014: HK\$4,393.9 million), contributed mainly by the stable growth of the Group's existing stores in the PRC. Driven by the merchandise enhancement, gross profit margin rose to 31.1% (2014: 30.6%). Accordingly, profit of the core businesses increased by 20.8% to HK\$43.7 million (2014: HK\$36.2 million). The Group recorded a profit attributable to the owners of the Company of HK\$48.7 million (2014: HK\$81.9 million). Excluding the fair value gain of HK\$40 million recognized in 2014, the Group would have recorded an increase in profit of 16.0%, mainly attributable to the business turnaround of the PRC operations.

During the first half of 2015, the Hong Kong retail market was sluggish owing to the unstable global economic conditions and the modest economic growth. While also affected by the volatile stock market, consumers continued to be cautious in spending. During the period under review, despite the unfavourable market sentiment and the closure of one store in Kwun Tong during May 2014, revenue from the Group's Hong Kong operations was maintained at HK\$1,872.5 million (2014: HK\$1,935.3 million), while segment profit was HK\$23.6 million (2014: HK\$44.7 million).

In the first half of 2015, the Group opened four new stores, two in Tsuen Wan, one in Sai Ying Pun and the other in Sham Shui Po. As at 30 June 2015, the Group operated a total of 46 stores in the territory (31 December 2014: 42 stores).

In April 2015, disposal of the investment property in Hong Kong was completed and the proceeds from the disposal was used as general working capital.

During the period under review, the economy in the PRC registered a relatively lower growth rate when compared with past years, while the consumption patterns of local consumers continued to change. Facing these challenges, the Group has embarked on a proactive approach to revamp the merchandise assortment and improve back-end support services. Furthermore, the Group's newly-opened stores in the previous years steadily ramped up their sales performances, which not only helped to boost its revenue but also its overall results. Accordingly, revenue from the PRC operations rose by 6.8% to HK\$2,626.1 million (2014: HK\$2,458.6 million) and the segment results achieved a turnaround with profit of HK\$20.2 million (2014: loss of HK\$8.4 million). As at 30 June 2015, the Group operated a total of 29 stores in south China (31 December 2014: 29 stores).

During the review period, staff costs increased by 6.7% and the ratio of staff cost to revenue climbed from 11.7% to 12.2%, as a result of the Group's strategy to boost the service level of the staff at selected stores after renovation which resulted in an improved performance. Rental costs increased 2.9% while the ratio of rental costs to revenue slightly adjusted from 11.5% to 11.6%.

Other operating expenses representing selling, distribution and administrative expenses after deducting rental costs, slightly increased by 0.6% due to the Group's efforts in cost control.

BUSINESS REVIEW (Continued)

The Group maintained a strong net cash position with cash and bank balances and short term time deposits of HK\$2,953 million as at 30 June 2015 (31 December 2014: HK\$2,433 million). The Group had no bank borrowings as at the end of the review period.

As at 30 June 2015, deposits of HK\$31.5 million (31 December 2014: HK\$31.4 million) were pledged as guarantees to landlords for rental deposits. Deposits of HK\$16.6 million (31 December 2014: HK\$16.6 million) were pledged as guarantees to regulatory bodies for prepaid value cards sold.

Capital expenditure for the period amounting to HK\$51.2 million was used for new store openings, small-scale store renovations and strengthening supporting systems. The Group continues to finance capital expenditure with internal resources and short-term borrowings.

Fluctuation of currency exchange rates had no material impact on the Group as less than 5% of its total purchases were settled in foreign currencies other than its functional currencies in Hong Kong and in the PRC.

PROSPECTS

Going forward, the PRC operations will become a major growth driver of the Group. In spite of the unstable macroeconomic environment and the volatile stock market, the PRC is still one of the economies with the largest potential for further business growth. The Group remains prudently optimistic about its prospects and will continue to cautiously expand its business, leveraging its experience in the operations of PRC gained in the previous years and in fact has registered improved performances. Thus the Group is to resume its expansion plan in a prudent manner after careful evaluation in order to sustain the growth momentum in the mid-to-long-run. In the second half of 2015, a store is to be opened in Zhongshan while in the first half of 2016, one store will be opened in Panyu and two more will be opened in Guangzhou and Shenzhen respectively in the second half of that year.

In view of the uncertainties in the global economy as well as the possible increase in the interest rate by the US Federal Reserve during this year, the Group expects that the operational environment in Hong Kong will stay challenging. The retail industry and consumer sentiment in Hong Kong are also likely to be adversely affected by slower economic growth and a potentially volatile stock market, in addition to the rising costs in various business aspects. The Group plans to continue its cautious approach to focus resources on optimising overall sales performances through adding new elements and concepts to existing stores as well as improving merchandise offerings and services. The Group is also exploring potential opportunities for small-scale store expansion in a cautious manner.

Total capital expenditure of the Group in the second half of 2015 and in 2016 for new store openings and store renovations is approximately HK\$420 million.

HUMAN RESOURCES

As at 30 June 2015, the Group had approximately 7,800 full-time and 2,900 part-time employees in Hong Kong and the PRC. The Group competitively remunerates employees based on their performance, experience and the prevailing practices of the industry. As part of its commitment to delivering the highest standards of service to all of its customers, the Group intends to continue to dedicate efforts to the quality of its service by enhancing the skills and professionalism of its staff. Concurrently, it strives to create an environment where employees can grow through a fulfilling career development path and enjoy a sense of camaraderie within, as well as loyalty to, the Group.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, 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	Approximate aggregate percentage of interests in the issued share capital of the Company %
CHAN Pui Man Christine	6,000	0.002

(B) AEON CO., LTD., THE COMPANY'S ULTIMATE HOLDING COMPANY

Name of Directors	Number of shares held as personal interests	Approximate percentage of interests %
Yoshiaki MIZUSHIMA	3,788	0.00043
Yuki HABU	7,708	0.00088
Shinya WAKO	2,000	0.00023

Other than as disclosed above, at 30 June 2015, 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 2015, 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 Number of ordinary shares held	Approximate percentage of the issued share capital %
AEON Co., Ltd.	186,276,000 (Note 1)	71.64
Aberdeen Asset Management Plc and its Associates (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group	31,745,500 (Note 2)	12.21

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 effectively owned by AEON Co., Ltd. as to 280,588,000 shares representing 67.00% of the issued share capital of ACS. 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. Aberdeen Group has the power to vote as to 26,234,500 shares representing 10.09% of the issued share capital of the Company.

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 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 6 March 2015.

The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08 (1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 18.19%.

The Company is considering various options to restore its public float. As at the date of this report, no concrete proposals for the restoration of public float or timetable have been determined. The Company will make further announcement when the proposal to restore its public float has been finalised.

CORPORATE GOVERNANCE

The Board of the Company has complied throughout the six months ended 30 June 2015 with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE (Continued)

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 2015.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2015 with management.

UPDATED INFORMATION OF DIRECTORS

The changes in the information of Directors are set out below pursuant to Rule 13.51B of the Listing Rules:

(A) CHANGES IN DIRECTORS

Name of Directors	Details of change
SUZUKI Junichi	Resigned as an Executive Director and the Deputy Managing Director on 17 March 2015
AGAWA Yutaka	Resigned as a Non-executive Director on 17 March 2015
YASUKAWA Kazuhiko	Resigned as a Non-executive Director on 17 March 2015
OKUNO Yoshinori	Resigned as a Non-executive Director, the Chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee and the Audit Committee on 10 April 2015
HABU Yuki	Appointed as the Chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee and the Audit Committee on 10 April 2015
SHAM Sui Leung Daniel	Retired as an Independent Non-executive Director and ceased as the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee on 20 May 2015
YAJIMA Hideaki	Appointed as an Executive Director on 20 May 2015
WAKO Shinya	Appointed as a Non-executive Director on 20 May 2015
CHENG Yin Ching Anna	Appointed as the Chairman of the Audit Committee on 20 May 2015
CHAN Yi Jen Candi Anna	Appointed as the Chairman of the Remuneration Committee on 20 May 2015

(B) CHANGES IN DIRECTORS' EMOLUMENTS

The emoluments of the Directors are determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

With effect from 1 January 2015, the Directors entitlement to director fee and emoluments (which will be pro-rata to the period of services in the year of their appointments) for the year ending 31 December 2015 are as follows:

Name of Directors	Emoluments HK\$
CHAN Pui Man Christine	2,015,000
MIZUSHIMA Yoshiaki	1,822,000
CHAK Kam Yuen	1,335,000
CHENG Yin Ching Anna	200,000
CHAN Yi Jen Candi Anna	180,000

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
CHAN Pui Man, Christine
Managing Director

Hong Kong, 18 August 2015