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**AEON STORES (HONG KONG) CO., LIMITED**

**永旺(香港)百貨有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

**2013 ANNUAL RESULTS**

The Board of Directors (the “Board”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the results of the Company and its subsidiaries (the “Group” or “AEON”) for the year ended 31 December 2013 together with comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|   | NOTES | 2013<br>HK\$'000      | 2012<br>HK\$'000      |
|---|-------|-----------------------|-----------------------|
| Revenue   | 3     | 8,487,510             | 7,377,228             |
| Other income  |       | 689,777               | 614,948               |
| Investment income   |       | 24,790                | 25,444                |
| Purchases of goods and changes in inventories                             |       | (5,753,905)           | (4,933,232)           |
| Staff costs   |       | (1,008,192)           | (906,192)             |
| Depreciation  |       | (196,598)             | (164,113)             |
| Impairment loss recognised in respect of property,<br>plant and equipment |       | (125,370)             | (49,845)              |
| Gain on fair value change of an investment property                       |       | 40,000                | 100,000               |
| Loss on disposal of property, plant and equipment                         |       | (744)                 | (1,749)               |
| Pre-operating expenses  |       | (7,230)               | (80,596)              |
| Other expenses  |       | (2,039,945)           | (1,682,792)           |
| Finance costs   |       | (361)                 | (863)                 |
| Profit before tax   |       | 109,732               | 298,238               |
| Income tax expense  | 4     | (22,542)              | (47,393)              |
| Profit for the year   |       | <u>87,190</u>         | <u>250,845</u>        |
| Profit for the year attributable to:                                      |       |                       |                       |
| Owners of the Company   |       | 107,074               | 238,912               |
| Non-controlling interests   |       | (19,884)              | 11,933                |
|   |       | <u>87,190</u>         | <u>250,845</u>        |
| Earnings per share  | 6     | <u>41.18 HK cents</u> | <u>91.89 HK cents</u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|   | <b>2013</b>     | 2012     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Profit for the year   | <b>87,190</b>   | 250,845  |
| <b>Other comprehensive (expense) income</b>   |                 |          |
| <b>Items that may be reclassified subsequently to profit or loss</b>                    |                 |          |
| Exchange differences arising on translation of foreign operations                       | <b>12,327</b>   | 6        |
| Available-for-sale financial assets   |                 |          |
| Fair value gain (loss) on available-for-sale investments                                | <b>(2,074)</b>  | 8,384    |
| Reclassification adjustment relating to disposal of an<br>available-for-sale investment | <b>(1,264)</b>  | --       |
|   | <b>(3,338)</b>  | 8,384    |
| Other comprehensive income for the year, net of income tax                              | <b>8,989</b>    | 8,390    |
| Total comprehensive income for the year   | <b>96,179</b>   | 259,235  |
| Total comprehensive (expense) income attributable to:                                   |                 |          |
| Owners of the Company   | <b>110,982</b>  | 247,277  |
| Non-controlling interests   | <b>(14,803)</b> | 11,958   |
|   | <b>96,179</b>   | 259,235  |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2013**

|  | NOTES | 31.12.2013<br>HK\$'000 | 31.12.2012<br>HK\$'000 |
|--|-------|------------------------|------------------------|
| <b>Non-current Assets</b>                      |       |                        |                        |
| Goodwill                                       |       | 94,838                 | 94,838                 |
| Property, plant and equipment                  |       | 759,211                | 873,445                |
| Investment property                            |       | 550,000                | 510,000                |
| Available-for-sale investments                 |       | 26,980                 | 32,054                 |
| Time deposits                                  |       | --                     | 1,535                  |
| Deferred tax assets                            |       | 52,634                 | 33,543                 |
| Rental deposits                                |       | 147,316                | 151,751                |
| Pledged bank deposits                          |       | 25,642                 | 28,496                 |
|  |       | <u>1,656,621</u>       | <u>1,725,662</u>       |
| <b>Current Assets</b>                          |       |                        |                        |
| Inventories                                    |       | 811,952                | 769,666                |
| Trade receivables                              | 7     | 35,251                 | 37,344                 |
| Other receivables, prepayments and deposits    |       | 210,871                | 152,067                |
| Amounts due from fellow subsidiaries           |       | 138,476                | 113,723                |
| Time deposits                                  |       | 378,704                | 180,207                |
| Pledged bank deposits                          |       | 18,948                 | --                     |
| Income tax recoverable                         |       | --                     | 16,378                 |
| Bank balances and cash                         |       | 1,966,217              | 2,060,309              |
|  |       | <u>3,560,419</u>       | <u>3,329,694</u>       |
| <b>Current Liabilities</b>                     |       |                        |                        |
| Trade payables                                 | 8     | 1,469,222              | 1,451,899              |
| Other payables and accrued charges             |       | 1,462,668              | 1,417,257              |
| Amount due to ultimate holding company         |       | 49,622                 | 45,045                 |
| Amounts due to fellow subsidiaries             |       | 86,910                 | 74,078                 |
| Obligation under a finance lease               |       | 836                    | 800                    |
| Tax liabilities                                |       | 26,245                 | 9,856                  |
| Dividend payable                               |       | 615                    | 867                    |
|  |       | <u>3,096,118</u>       | <u>2,999,802</u>       |
| <b>Net Current Assets</b>                      |       | <u>464,301</u>         | <u>329,892</u>         |
| <b>Total Assets Less Current Liabilities</b>   |       | <u>2,120,922</u>       | <u>2,055,554</u>       |
| <b>Capital and Reserves</b>                    |       |                        |                        |
| Share capital                                  |       | 52,000                 | 52,000                 |
| Share premium and reserves                     |       | 1,723,760              | 1,637,814              |
| Equity attributable to owners of the Company   |       | 1,775,760              | 1,689,814              |
| Non-controlling interests                      |       | 153,326                | 173,296                |
| <b>Total Equity</b>                            |       | <u>1,929,086</u>       | <u>1,863,110</u>       |
| <b>Non-current Liabilities</b>                 |       |                        |                        |
| Rental deposits received and other liabilities |       | 177,575                | 169,211                |
| Obligation under a finance lease               |       | 2,735                  | 3,409                  |
| Deferred tax liabilities                       |       | 11,526                 | 19,824                 |
|  |       | <u>191,836</u>         | <u>192,444</u>         |
|  |       | <u>2,120,922</u>       | <u>2,055,554</u>       |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS / BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

**2. APPLICATION OF NEW AND REVISED HKFRSs**

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year.

|   |  |
|---|--|
| Amendments to HKFRSs                          | Annual Improvements to HKFRSs 2009 - 2012 Cycle  |
| Amendments to HKFRS 7                         | Disclosures - Offsetting Financial Assets and Financial Liabilities  |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance |
| HKFRS 10                                      | Consolidated Financial Statements  |
| HKFRS 11                                      | Joint Arrangements   |
| HKFRS 12                                      | Disclosure of Interests in Other Entities  |
| HKFRS 13                                      | Fair Value Measurement   |
| HKAS 19 (as revised in 2011)                  | Employee Benefits  |
| HKAS 27 (as revised in 2011)                  | Separate Financial Statements  |
| HKAS 28 (as revised in 2011)                  | Investments in Associates and Joint Ventures   |
| Amendments to HKAS 1                          | Presentation of Items of Other Comprehensive Income  |
| HK(IFRIC) –Int 20                             | Stripping Costs in the Production Phase of a Surface Mine  |

Except for certain disclosure requirements under HKFRS 10, 11, 12, 13 and Amendments to HKAS 1, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the 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 year. An analysis of the Group’s revenue for the year is as follows:

|                                  | <b>2013</b>             | 2012             |
|----------------------------------|-------------------------|------------------|
|                                  | <b>HK\$'000</b>         | HK\$'000         |
| Direct sales                     | <b>7,515,082</b>        | 6,413,148        |
| Income from concessionaire sales | <b>972,428</b>          | 964,080          |
|                                  | <b><u>8,487,510</u></b> | <u>7,377,228</u> |

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 People's Republic of China ("PRC") as the two reportable segments.

### Segment revenues and results

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

#### **For the year ended 31 December 2013**

|   | <b><u>Hong Kong</u></b><br><b><u>HK\$'000</u></b> | <b><u>PRC</u></b><br><b><u>HK\$'000</u></b> | <b><u>Total</u></b><br><b><u>HK\$'000</u></b> |
|---|---|---|---|
| Segment revenue - external  | <b><u>3,983,350</u></b>                           | <b><u>4,504,160</u></b>                     | <b><u>8,487,510</u></b>                       |
| Segment profit (loss)   | <b><u>182,580</u></b>                             | <b><u>(158,306)</u></b>                     | <b><u>24,274</u></b>                          |
| Gain on fair value change of an investment property   |   |   | <b>40,000</b>                                 |
| Gain on disposal of an available-for-sales investment<br>(reclassified from other comprehensive income upon disposal) |   |   | <b>1,264</b>                                  |
| Rental income from an investment property   |   |   | <b>19,765</b>                                 |
| Investment income   |   |   | <b>24,790</b>                                 |
| Finance costs   |   |   | <b><u>(361)</u></b>                           |
| Profit before tax   |   |   | <b><u>109,732</u></b>                         |

#### **For the year ended 31 December 2012**

|   | <b><u>Hong Kong</u></b><br><b><u>HK\$'000</u></b> | <b><u>PRC</u></b><br><b><u>HK\$'000</u></b> | <b><u>Total</u></b><br><b><u>HK\$'000</u></b> |
|---|---|---|---|
| Segment revenue - external                          | <b><u>3,525,214</u></b>                           | <b><u>3,852,014</u></b>                     | <b><u>7,377,228</u></b>                       |
| Segment profit                                      | <b><u>136,698</u></b>                             | <b><u>17,444</u></b>                        | <b>154,142</b>                                |
| Gain on fair value change of an investment property |   |   | <b>100,000</b>                                |
| Rental income from an investment property           |   |   | <b>19,515</b>                                 |
| Investment income                                   |   |   | <b>25,444</b>                                 |
| Finance costs                                       |   |   | <b><u>(863)</u></b>                           |
| Profit before tax                                   |   |   | <b><u>298,238</u></b>                         |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of gain on fair value change of an investment property, gain on disposal of an available-for-sale investment (reclassified from other comprehensive income upon disposal), rental income from an investment property, investment income and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

## Other segment information

### For the year ended 31 December 2013

|  | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Segment</u><br><u>total</u><br>HK\$'000 |
|--|------------------------------|------------------------|--|
| Amounts included in the measure of segment profit or loss:             |                              |                        |  |
| Depreciation   | 83,203                       | 113,395                | 196,598                                    |
| Impairment loss recognised in respect of property, plant and equipment | 24,000                       | 101,370                | 125,370                                    |
| Loss on disposal of property, plant and equipment                      | 613                          | 131                    | 744  |
| Write-down of inventories  | 436                          | 506                    | 942  |

### For the year ended 31 December 2012

|  | <u>Hong Kong</u><br>HK\$'000 | <u>PRC</u><br>HK\$'000 | <u>Segment</u><br><u>total</u><br>HK\$'000 |
|--|------------------------------|------------------------|--|
| Amounts included in the measure of segment profit or loss:             |                              |                        |  |
| Depreciation   | 66,659                       | 97,454                 | 164,113                                    |
| Impairment loss recognised in respect of property, plant and equipment | 38,754                       | 11,091                 | 49,845                                     |
| Loss on disposal of property, plant and equipment                      | 1,568                        | 181                    | 1,749                                      |
| Write-down of inventories  | 3,918                        | 1,349                  | 5,267                                      |

## 4. INCOME TAX EXPENSE

|                                      | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| The charges comprise:                |                  |                  |
| Current tax:                         |                  |                  |
| Hong Kong                            | 40,540           | 22,572           |
| Other regions in the PRC             | 8,431            | 24,530           |
|                                      | <u>48,971</u>    | <u>47,102</u>    |
| (Over) underprovision in prior years |                  |                  |
| Hong Kong                            | -                | (2,600)          |
| Other regions in the PRC             | (365)            | 84               |
|                                      | <u>(365)</u>     | <u>(2,516)</u>   |
|                                      | <u>48,606</u>    | <u>44,586</u>    |
| Deferred tax:                        |                  |                  |
| Current year                         | (26,064)         | 2,807            |
| Income tax expense for the year      | <u>22,542</u>    | <u>47,393</u>    |

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

The PRC income tax is calculated at 25% of the estimated assessable profits of the subsidiaries

for both years.

Deferred tax liability in respect of the withholding tax on the undistributed earnings of subsidiaries during the year has been provided at the applicable tax rate.

## 5. DIVIDENDS

|   | <b>2013</b>          | 2012           |
|---|----------------------|----------------|
|   | <b>HK\$'000</b>      | HK\$'000       |
| Final dividend paid for 2012 of 9.7 HK cents<br>(2012: 35.9 HK cents for 2011) per ordinary share   | <b>25,220</b>        | 93,340         |
| Interim dividend paid for 2013 of Nil HK cents<br>(2012: 16.5 HK cents for 2012) per ordinary share | -                    | 42,900         |
|   | <u><b>25,220</b></u> | <u>136,240</u> |

The Board of Directors has recommended a final dividend of 12.9 HK cents per share (2012: 9.7 HK cents) to be paid on or before 18 June 2014, subject to shareholders' approval at the forthcoming annual general meeting on 22 May 2014.

## 6. 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 year attributable to owners of the Company of HK\$107,074,000 (2012: HK\$238,912,000) and on 260,000,000 (2012: 260,000,000) ordinary shares in issue during the year.

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

## 7. 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 period, which approximated the respective revenue recognition dates.

|                | <b>31.12.2013</b>    | 31.12.2012    |
|----------------|----------------------|---------------|
|                | <b>HK\$'000</b>      | HK\$'000      |
| Within 30 days | <u><b>35,251</b></u> | <u>37,344</u> |

## 8. TRADE PAYABLES

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

|              | <b>31.12.2013</b>       | 31.12.2012       |
|--------------|-------------------------|------------------|
|              | <b>HK\$'000</b>         | HK\$'000         |
| 0 – 60 days  | <b>1,228,223</b>        | 1,206,831        |
| 61 – 90 days | <b>106,112</b>          | 103,571          |
| Over 90 days | <b>134,887</b>          | 141,497          |
|              | <u><b>1,469,222</b></u> | <u>1,451,899</u> |

## **CHANGE OF ADDRESS OF SHARE REGISTRAR AND TRANSFER OFFICE**

With effect from 31 March 2014, the Company's share registrar and transfer office, Tricor Secretaries Limited will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 20 May 2014 to 22 May 2014 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting, during which period no transfers of Shares will be registered. In order to qualify for the attending and voting at the forthcoming annual general meeting, 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 19 May 2014.

The Register of Members of the Company will be closed from 30 May 2014 to 3 June 2014 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, 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 29 May 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The global economy continued to experience a sluggish recovery entering 2013, which resulted in weak consumer sentiment. Rising inflation further discouraged consumer spending during the year and inevitably affected the Group's performance. In spite of a gloomy business environment, the Group maintained a stable growth in revenue in 2013, increasing 15.1% to HK\$8,487.5 million from HK\$7,377.2 million last year. This was mainly attributable to the Group's expanded retail network in both Hong Kong and the PRC markets. Gross profit margin slightly adjusted to 32.2% (2012: 33.1%) due to promotional activities to boost sales performance. Profit attributable to owners of the Company amounted to HK\$107.0 million (2012: HK\$238.9 million) during the year, a significant turnaround from the loss in the first half of the financial year. Profit dropped when compared with the previous year mainly due to the unsatisfactory sales performance of the PRC operations which was affected by the continued slower growth of the economy of China, increased impairment loss recognised in respect of property, plant and equipment as well as higher operating expenses during the year.

During the period under review, staff costs increased by 11.3% and the ratio of staff costs to revenue slightly decreased from 12.3% to 11.9%. Rental costs rose by 19.4% and the ratio of rental cost to revenue increased from 11.1% to 11.6% due to the opening of several stores in the PRC in the second half of 2012, while their revenue contributions had not been fully developed during the year under review. Other expenses including rents, selling, distribution and administrative expenses increased by 21.2% due to the enlarged scale of the Group's operations from the newly opened stores.

As at 31 December 2013, the Group maintained a strong net cash position with cash and bank balance and short term time deposits of HK\$2,345 million (31 December 2012: HK\$2,241 million). The Group has sufficient internal resources to finance future business expansion.

As at 31 December 2013, deposits of HK\$29.4 million (31 December 2012: HK\$28.5 million) were

pledged as guarantees to landlords for rental deposits. Deposits of HK\$15.2 million (31 December 2012: Nil) were pledged as a guarantee to regulatory bodies for gift cards sold.

During the year under review, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC amounted to HK\$196 million. The Group intends to finance future capital expenditure by internal resources and short-term borrowings.

As less than 5% of the Group's total purchases were settled in foreign currencies, its financial position has not been materially affected by fluctuations in exchange rates.

## **BUSINESS REVIEW**

### **Hong Kong Operations**

Consumers remained cautious about spending due to soaring consumer prices and inflation throughout the year, and the volatile stock market further dampened consumer sentiment. The Group adjusted its promotional activities starting from the second quarter and successfully maintained satisfactory sales performance in the following months, thus defending its revenue growth. For the year ended 31 December 2013, revenue from Hong Kong operations increased by 13.0% to HK\$3,983.3 million (2012: HK\$3,525.2 million). Segment profit rose from HK\$136.7 million last year to HK\$182.5 million in 2013. If the impact of impairment loss of property, plant and equipment on the segment results for both years is excluded, Hong Kong segment profit increased by 17.7%.

During the year, while the Group devoted most of its efforts in enhancing the operational efficiency of existing stores, it continued to identify suitable locations for new stores in a cautious manner. Apart from opening one store in Lok Ma Chau in May 2013, it opened the second store in Po Lam to capture the growing business opportunity from a rising residential population in the Tseng Kwan O area. As at 31 December 2013, the Group had 42 (2012: 43) stores in densely populated residential and commercial districts across Hong Kong.

### **PRC Operations**

The PRC market experienced a continued slowdown of economic growth which affected our sales performance. Nonetheless, the Group managed to maintain revenue growth of 16.9% to HK\$4,504.2 million (2012: HK\$3,852.0 million) during the year under review. A segment loss of HK\$158.3 million (2012: profit HK\$17.4 million) was recorded due to the soaring expenses that exceeded revenue growth, as well as the impairment loss recognised in respect of property, plant and equipment of HK\$101.3 million (2012: HK\$11.1 million). If the impairment loss of property, plant and equipment on the segment results for both years is excluded, the PRC segment result would have registered a loss of HK\$56.9 million (2012: profit 28.5 million). The Group opened a total of four stores in Huizhou, Guangzhou and Shenzhen in Guangdong province during 2013.

As at 31 December 2013, the Group operated 29 (2012: 25) stores in south China.

## **PROSPECTS**

### **Hong Kong Operations**

Looking ahead, the Group is cautiously optimistic about the retail market in 2014 as the global economy appears to be gradually stabilising. The overall retail industry and consumer sentiment in Hong Kong, however, should continue to see challenges, which may adversely affect the Group's business in the coming year. Therefore, focusing resources on optimising sales performances of newly opened stores and improving merchandise offerings and services is to be the key focus of the Group. At the same time, the

Group is implementing measures to strengthen internal management in order to enhance operational efficiency.

## **PRC Operations**

On the PRC front, despite some challenges in the operating environment, such as rising operating costs, rapid change of consumption patterns, etc., the overall economy of the PRC remains healthy with growth potential which should benefit the retail industry in the long run. Therefore, the Group remains prudently optimistic about its operations in south China. While dedicated to boosting performance of existing stores, the Group is exploring new initiatives to expand sensibly in the PRC market, including the opening of specialty stores with more flexibility in site locations at a lower investment cost, to suit the needs of different customers.

## **HUMAN RESOURCES**

As at 31 December 2013, the Group had approximately 8,700 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 will continue to enhance the quality and skills of its staff by providing professional training and mentorship. It is also striving to create an environment where employees can grow and feel a sense of belonging and loyalty to the Group.

## **CREATING LONG-TERM VALUE**

The Group's business strategy is to optimise customer satisfaction by providing safe, reliable and environmentally-friendly merchandise, a pleasant shopping environment and quality customer-oriented services. Embedded in the heart of every AEON employee is our AEON principles, as the Group is determined to create long-term value through earning the trust of our customers.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has adopted the code provisions set out in the Code as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied throughout the year with the code provisions of the Code save as disclosed below.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Okuno Yoshinori, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 24 May 2013 due to his other business engagements.

Rule 3.10A of the Listing Rules provides that a listed issuer must appoint independent non-executive directors representing at least one-third of the board. Moreover, Rule 3.25 of the Listing Rules provides that a listed issuer must establish a remuneration committee chaired by an independent non-executive director. Subsequent to Dr. Shao Kung Chuen's resignation on 9 August 2013, the number of Independent Non-executive Directors fell below one-third of the Board members and there was a

vacancy for chairman of the Remuneration Committee of the Company as required respectively by Rules 3.10A and 3.25 of the Listing Rules.

On 23 August 2013, the Board appointed Mr. Sham Sui Leung Daniel, an Independent Non-executive Director, as the chairman of the Remuneration Committee of the Company. Following Mr. Sham's appointment, the Company has complied with the requirements of Rule 3.25 of the Listing Rules.

On 8 November 2013, the Board appointed Ms. Lo Miu Sheung Betty as an Independent Non-executive Director. Following Ms. Lo's appointment, the Company has complied with Rules 3.10A and 3.11 of the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 existing Directors, the Company confirms that they have fully complied with the required standard set out in the Model Code throughout the year.

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2013 with management.

AEON will introduce a new scheme to enhance communication with our shareholders. Details of the scheme will be published on our corporate website [www.aeonstores.com.hk/eng/investor\\_relation.htm](http://www.aeonstores.com.hk/eng/investor_relation.htm) in due course.

#### **PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The annual report for the year ended 31 December 2013 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

By Order of the Board  
CHAN Pui Man, Christine  
*Managing Director*

Hong Kong, 21 March 2014

*As at the date of this announcement, the Executive Directors are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki, Mr. Yoshiaki Mizushima and Mr. Chak Kam Yuen; the Non-executive Directors are Mr. Yoshinori Okuno, Mr. Yutaka Agawa, Ms. Yuki Habu and Mr. Kazuhiko Yasukawa; and the Independent Non-executive Directors are Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna, and Ms. Chan Yi Jen Candi Anna and Ms. Lo Miu Sheung, Betty.*