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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)

**2015 INTERIM RESULTS**

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**

	<u>NOTES</u>	<b>Six months ended</b>	
		<b><u>30.6.2015</u></b> <b>HK\$'000</b> <b>(unaudited)</b>	<b><u>30.6.2014</u></b> <b>HK\$'000</b> <b>(unaudited)</b>
Revenue	3	<b>4,498,539</b>	4,393,855
Other income		<b>339,414</b>	335,818
Investment income		<b>16,416</b>	12,703
Purchase of goods and changes in inventories		<b>(3,101,266)</b>	(3,047,514)
Staff costs		<b>(547,672)</b>	(513,144)
Depreciation		<b>(95,528)</b>	(97,213)
Loss on disposal of property, plant and equipment		<b>(288)</b>	(926)
Gain on fair value change of an investment property		-	40,000
Other expenses		<b>(1,042,843)</b>	(1,024,751)
Finance costs		<b>(117)</b>	(155)
Profit before tax		<b>66,655</b>	98,673
Income tax expense	4	<b>(8,068)</b>	(11,325)
Profit for the period		<b><u>58,587</u></b>	<u>87,348</u>
Profit for the period attributable to:			
Owners of the Company		<b>48,659</b>	81,937
Non-controlling interests		<b>9,928</b>	5,411
		<b><u>58,587</u></b>	<u>87,348</u>
Earnings per share	6	<b><u>18.72 HK cents</u></b>	<u>31.51 HK cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2015**

	<u>NOTES</u>	<u>30.6.2015</u> <u>HK\$'000</u> (unaudited)	<u>31.12.2014</u> <u>HK\$'000</u> (audited)
<b>Non-current Assets</b>			
Goodwill		94,838	94,838
Property, plant and equipment		597,055	640,750
Available-for-sale investments		25,203	23,245
Deferred tax assets		62,308	57,318
Rental deposits paid		130,305	123,160
Pledged bank deposits		17,295	29,277
		<u>927,004</u>	<u>968,588</u>
<b>Current Assets</b>			
Inventories		831,555	802,672
Trade receivables	7	36,433	33,220
Other receivables, prepayments and deposits		233,480	222,966
Amounts due from fellow subsidiaries		65,278	131,586
Time deposits		918,858	6,313
Pledged bank deposits		30,824	18,686
Bank balances and cash		2,033,880	2,426,922
		<u>4,150,308</u>	<u>3,642,365</u>
Asset classified as held for sale		-	629,000
		<u>4,150,308</u>	<u>4,271,365</u>
<b>Current Liabilities</b>			
Trade payables	8	1,344,777	1,422,786
Other payables and accrued charges		1,312,843	1,362,522
Amount due to ultimate holding company		75,566	51,620
Amounts due to fellow subsidiaries		61,424	61,331
Obligation under a finance lease		958	913
Income tax payable		22,890	10,190
Dividend payable		728	634
		<u>2,819,186</u>	<u>2,909,996</u>
Liability associated with asset classified as held for sale		-	63,380
		<u>2,819,186</u>	<u>2,973,376</u>
<b>Net Current Assets</b>		<u>1,331,122</u>	<u>1,297,989</u>
<b>Total Assets Less Current Liabilities</b>		<u>2,258,126</u>	<u>2,266,577</u>
<b>Capital and Reserves</b>			
Share capital		115,158	115,158
Reserves		1,790,176	1,807,030
		<u>1,905,334</u>	<u>1,922,188</u>
Equity attributable to owners of the Company		1,905,334	1,922,188
Non-controlling interests		171,713	161,249
<b>Total Equity</b>		<u>2,077,047</u>	<u>2,083,437</u>
<b>Non-current Liabilities</b>			
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
		<u>181,079</u>	<u>183,140</u>
		<u>2,258,126</u>	<u>2,266,577</u>

## **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 sections 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:

	<b>Six months ended</b>	
	<b><u>30.6.2015</u></b> <b>HK\$'000</b>	<b>30.6.2014</b> <b>HK\$'000</b>
Direct sales	<b>4,040,617</b>	3,926,146
Income from concessionaire sales	<b>457,922</b>	467,709
Revenue	<b><u>4,498,539</u></b>	<u>4,393,855</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.

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

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

#### For the six months ended 30 June 2014

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

## REVENUE AND SEGMENT INFORMATION - continued

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. INCOME TAX EXPENSE

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

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.

### 5. DIVIDENDS

	<b>Six months ended</b>	
	<b><u>30.6.2015</u></b>	<b><u>30.6.2014</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
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	<b><u>68,120</u></b>	<u>33,540</u>

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.

## 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 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.

## 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 periods, which approximated the respective revenue recognition dates:

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

	<u>30.6.2015</u> HK\$'000	<u>31.12.2014</u> 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
	<u>1,344,777</u>	<u>1,422,786</u>

## **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 28 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: 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).

## **BUSINESS REVIEW - continued**

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.

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.

## **PROSPECTS - continued**

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.

## **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 announcement, 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 announcement, 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 (the "CG Code") 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 2015.

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

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

The interim report for the six months ended 30 June 2015 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 of  
**AEON Stores (Hong Kong) Co., Limited**  
**CHAN Pui Man, Christine**  
*Managing Director*

Hong Kong, 18 August 2015

*As at the date of this announcement, the Executive Directors are Ms. Chan Pui Man, Christine, Mr. Yoshiaki Mizushima, Mr. Chak Kam Yuen and Mr. Hideaki Yajima; the Non-executive Directors are Ms. Yuki Habu and Mr. Shinya Wako; and the Independent Non-executive Directors are Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna and Ms. Lo Miu Sheung, Betty.*