AEON

AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

Stock Code : 984

Annual Report 2010

MISSION

AEON Co., Ltd. ("AEON Co.") approaches business from the defining standpoint of value, so, amid the protracted global economic downturn, we have focused on reforms that maximize both earnings and customer satisfaction. We closely and constantly monitor markets and customers, then adjust what we offer **to give customers the most attractive value for the times**. This core dictum guided our steady progress in the past year and will see us through many future cycles of economic change.

AEON Co. is a retailing group of 169* companies united by a strong management base and globally advance merchandizing and logistics processes. With retailing as its core, the Group operates lifestyle-enhancing retail and a variety of other services, from general merchandise stores and supermarkets, to fashion-conscious specialty stores, financial services and amusement facilities.

In our home market of Japan and in a growing network in China and Southeast Asia, AEON Stores, goods and services are characterized by customer partnerships at the community level, and our commitment to total customer satisfaction at all times.

AEON Stores (Hong Kong) Co., Limited ("AEON Stores" or the "Company"), a member of AEON Co., established its first store in Hong Kong in 1987 and was listed on the Hong Kong Stock Exchange in 1994. AEON Stores now has over 40 outlets in Hong Kong and south China. AEON Stores is dedicated to providing its customers with a wide range of high quality daily necessities at reasonable prices, complemented by pleasant shopping experiences. In its quest for total customer satisfaction, AEON Stores has strived tirelessly to improve customer safety and enhance shopping convenience and enjoyment.

AEON Stores is founded on the basic customer-oriented principles of "The pursuit of peace through prosperity", "Respect human dignity and value personal relationships" and "Make continuous contributions to local communities". All staff members strictly observe the "AEON Code of Conduct" which aims to guarantee prompt response to customers' needs and delivery of excellent services. The company prides itself in providing customers with services that constantly exceed their expectations.

* As at February 2010

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CORPORATE INFORMATION

Board of Directors

Executive Directors

LAM Man Tin *(Managing Director)*
CHAN Pui Man Christine
YONETA Yuji

Non-Executive Directors

TANAKA Akihito *(Chairman)*
TSUJI Haruyoshi
OKUNO Yoshinori
YOSHIDA Akio
KOMATSU Takashi

Independent Non-Executive Directors

LAM PEI Peggy
SHAM Sui Leung Daniel
CHENG Yin Ching Anna
SHAO Kung Chuen Daniel

Company Secretary

CHAN Kwong Leung Eric

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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

Share Registrars

Tricor Secretaries Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered Office

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

Head Office and Principal Place of Business

3rd Floor, Stanhope House
738 King's Road
Quarry Bay, Hong Kong
Tel: (852) 2565 3600
Fax: (852) 2563 8654

Stock Code

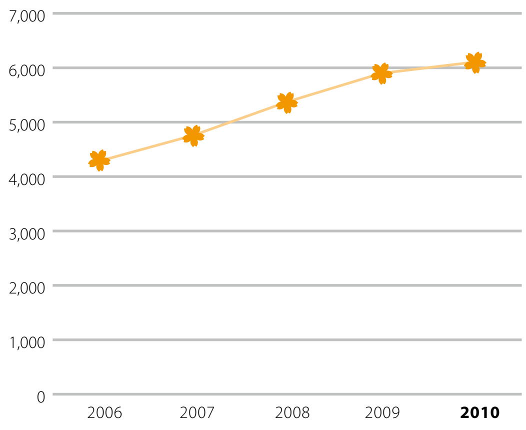
984

Website

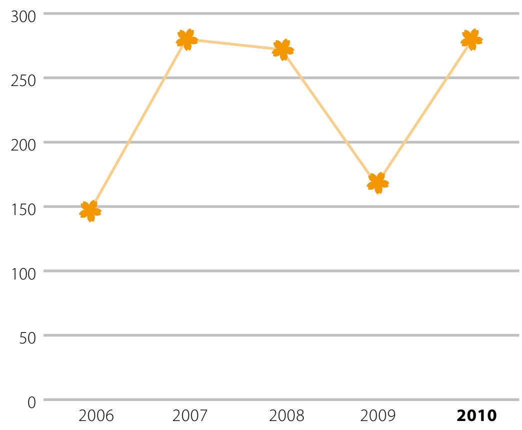
www.jusco.com.hk

FINANCIAL HIGHLIGHTS

Revenue
(HK$ million)

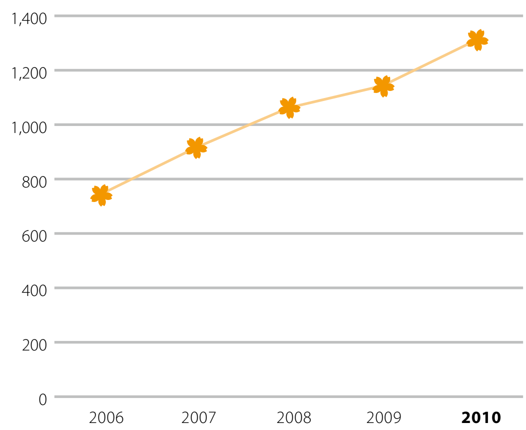


Profit Attributable to Shareholders
(HK$ million)



Earnings and Dividends per Share
(HK cents)

Shareholders' Equity
(HK$ million)



CHAIRMAN'S STATEMENT

TANAKA Akihito
Chairman

Supported by aggressive stimulus measures implemented worldwide from 2009 onwards to combat the financial tsunami, the global economy tentatively held its pace from deteriorating further in 2010. As for the markets of AEON Stores (Hong Kong) Co., Limited and its subsidiaries ("AEON Stores" or the "Group") operate, the PRC was comparatively less affected by the downturn while the Hong Kong economy showed promising signs of recovery. The improving macro environment facilitated the Group's stable growth, with revenue reaching HK$6,106.5 million (2009: HK$5,897.9 million) and profit attributable to shareholders surging to HK$279.2 million (2009: HK$167.1 million) for the year. The positive figures were achieved despite the closure of two major stores in 2010.

Over the years, we have embraced the credo: "Everything we do, we do for our customers", spurring us to provide quality merchandise and services that exceed customers' expectations. We have also modified the Group's business strategies in a timely manner to take advantage of developing opportunities. Having offered over 20 years of dedicated services to consumers, the Group now enjoys the status of being an established brand, possessing substantial market presence in Hong Kong. In addition to broadening and reinforcing our retail network, we have never ignored the importance of optimising efficiency and cost effectiveness to enhance shareholder value. Accordingly, following careful examination and analysis, the Group made the shrewd decision to acquire property that will serve as future premises of our headquarters and centralised distribution and processing facilities. This move will not only minimise our leasing expenditure in the long run, but also provide a solid platform to support rapid business expansion in Hong Kong. We expect that the benefits from the acquisition will be reflected in our results in the near future.

It has almost been 15 years since the Group first entered the PRC, one of the fastest growing markets in the world. Since that time, we have opened 17 stores in south China that are operated using specially tailored business models. The PRC operation

CHAIRMAN'S STATEMENT

has developed to become a key contributor and growth driver of our business. Indeed, growing the business in the PRC, which is transforming into one of the world's largest consumer markets, facilitates greater economies of scale and higher efficiency, translating into enhanced profitability and returns.

Looking forward, the management maintains a positive outlook towards the Hong Kong and PRC markets. According to the 2011–12 Budget prepared by the Government of Hong Kong SAR, GDP is projected to continue expanding by 4% to 5% for the year. Gradually improving income and employment conditions amid ongoing economic recovery will provide impetus for retail industry growth. As always, we aim to achieve progress at all times by satisfying the diverse needs of our customer through innovative and flexible business plans. In view of local consumers' increasing desire for premium Japanese merchandise and food items, the Group is preparing to open a new store in the first half of 2011. Projecting a fresh bold image, the store will cater for more upscale clientele in Hong Kong.

In the PRC, domestic consumption is expected to remain bullish, which, combined with increasing disposable income of local consumers, will create abundant opportunities for retail operators. To maintain our competitive advantage in this flourishing market, the Group will open five new stores in south China in 2011. Encouraged by strong customer support of stores that we opened in the second half of 2010, and based on experience operating in south China, we believe the PRC operations will play an increasingly prominent role in the Group's continuous advancement.

On behalf of the board, I would like to take this opportunity to thank the management team and staff for their dedication and contributions over the year. Working together, I trust that we will continue to deliver the highest quality services to our customers, overcome the sternest challenges and propel the Group to new heights.

TANAKA Akihito
Chairman

Hong Kong, 18 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

LAM Man Tin
Managing Director

Financial Review

In 2010, the economy in Hong Kong and China continued to revive at full gear from the downturn sparked by the global financial meltdown in late 2008. The operating environment has also been improving during the year, supported by positive consumer sentiment. The Group has continued to achieve growth in its results, with revenue reaching HK$6,106.5 million, a 4% increase from HK$5,897.9 million in 2009, mainly attributable to newly opened stores during the year in both Hong Kong and the PRC. It is even more encouraging that the Group has managed to improve its profitability, with gross profit margins rising from 33.1% to 33.3%. This was attributable to economies of scale in procurement as the number of stores increased. Profit attributable to shareholders for the year surged 67% to HK$279.2 million compared to HK$167.1 million due to a strong performance. Apart from the improved gross profit, growth in net profit was also due to the dragging down of the previous year's performance by the one-off impairment loss arising from certain refundable prepaid rentals not being accepted in arbitration.

During the year under review, staff cost to revenue ratio increased slightly from 10.3% to 10.5%, mainly due to retention of manpower despite store closures. Rental cost to revenue ratio improved from 11.1% to 10.2% thanks to effective efforts devoted in negotiating favourable terms with landlords. The ratio would still have recorded an improvement from 10.8% to 10.2% even if the impairment loss of prepaid rental of HK$13 million in 2009 were excluded.

As at 31 December 2010, the Group maintained a strong net cash position with cash and bank balance of HK$2,168 million, against HK$1,904 million at 31 December 2009. The Group's bank borrowings was further reduced to HK$47 million compared with HK$170 million at 31 December 2009, mainly due to improved results performance in the PRC operations. The borrowings were denominated in Renminbi bearing interest calculated with reference to the lending rate of the People's Bank of China. The Group continued to maintain a low gearing level with sufficient internal resources to finance future business expansion.

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

Capital expenditure for the year amounted to HK$128 million, mainly used for opening new stores in both Hong Kong and the PRC. 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, it has not been materially affected by fluctuations in exchange rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hong Kong Operations

During the year 2010, the global economy has recovered from the downturn caused by the financial tsunami, while the local economy has been ahead of the positive trend, maintaining a notable GDP growth of 6.8%[1] for 2010 as a whole. The declining unemployment rate and rising labour income level further supported the economic expansion. As a result, the retail business benefitted from improving consumer sentiment during the year. The Group's Hong Kong operations recorded revenue of HK$3,189.8 million (2009: HK$3,271.3 million). The results were satisfactory given that one store in Tai Po was closed in July 2010 due to expiry of the leasing contract, while the store in Lok Fu was closed in February and relocated to Megabox, Kowloon Bay in June. Segment profit was HK$232.3 million (2009: HK$265.9 million), temporarily affected by the retention of staff despite store closures.

During the year under review, the Group continued to actively expand its sales distribution network. It opened three stores in Tsimshatsui, Ngau Tau Kok and Tuen Mun, which were all well-received by the customers in the areas. The Group also relocated the store in Lok Fu to Megabox, which became its largest store in Kowloon East. With the quality service and a wide array of reasonably priced products, the new store was supported by the customers living and working in the district, thus delivering performance beyond the management's expectation. Currently, the Group operates 32 independent outlets in densely populated residential districts in Hong Kong.

PRC Operations

Despite the turmoil caused by the financial tsunami during 2009, the PRC economy was one of the first to rebound globally through the domestic demand stimulus policy. In particular, the south China region has delivered strong economic growth during the year, providing a favourable backdrop for the Group's development. The Group's PRC operations recorded an 11% increase in revenue to reach HK$2,916.7 million, up from HK$2,626.6 million in 2009. The satisfactory performance was mainly attributable to the improved operation of existing stores, while also driven by the newly opened stores as well as the full-year contributions of stores opened during 2009, despite that one store at China Plaza in Guangzhou was closed during the year. Accordingly, the PRC operations achieved a segment profit at HK$153.7 million in 2010, a significant turnaround from a loss of HK$17.1 million in 2009. Excluding the effect of changing the expected useful lives of building fixtures which has saved HK$28.2 million from depreciation before tax during the year, the segment would still record profit of HK$125.5 million for the year under review.

During the year, the Group opened two new stores in Guangzhou in January and December, while one store each in Shenzhen and Dongguan in August and December respectively. The new stores have been gaining consumers' support rapidly in those locations since operations, achieving performance above the management's expectation. As at 31 December 2010, the Group operated a total of 18 stores in the south China region.

[1] Census and Statistics Department, The Government of the Hong Kong SAR

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Hong Kong Operations

Looking ahead, driven by the continuous recovery of the global economy, the Hong Kong Government forecasts that the local economy is poised for a further growth of 4% to 5% in 2011, which signifies a return to normal levels. For the retail industry, the improving job markets and rising income should continue to support consumption sentiment in the territory. While aware of various uncertainties incurred by inflation and potential asset market bubble, the Group remains positive towards the outlook of the local economy in 2011.

Following the encouraging economic development and increasing consumption power in Hong Kong, consumers now have higher expectations on the quality of daily necessities. In view of this changing consumption pattern and demand, the Group is planning to open stores in a new style with special interior décor that targets customers looking for a wider range of high-end products. The Group believes that these upmarket retail outlets not only can meet the appetite of different consumers, but also expand the Group's revenue stream. In addition, the Group will also open a new store in Cheung Sha Wan by the end of 2011. The new store covering 240,000 sq ft will become the second largest store of the Group in Hong Kong.

Subsequent to the review period, the Group has acquired a property in Hong Kong at a consideration of HK$310 million, which was financed by internal resources. The whole building is currently subject to an existing tenancy agreement, which will expire on 31 March 2013 at a monthly rental of approximately HK$1.6 million, representing a yield of above 6% per annum. The Group is planning to convert the property into its new headquarters and centralised distribution and processing facilities, with an aim to achieve overall cost reduction and efficiency enhancement.

PRC Operations

Regarding the PRC, the economy is expected to turn from a stage of recovery to steady growth. The Group has an optimistic outlook about the development of the PRC operations against the backdrop of rising domestic demand. The Group intends to expand its business network in the PRC through actively opening new stores in locations with large potential. Subsequently, there will be two new stores opened in Guangzhou in the first half of this year, followed by another three in the second half of the year. The Group will also identify other suitable locations for further strengthening its foothold in this booming market.

Human Resources

As at 31 December 2010, the Group had approximately 6,600 full-time and 1,200 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 place efforts on enhancing the quality and skills of its staff by providing professional trainings and mentorship. It will also seek to create an environment where employees can grow and feel a sense of belonging and loyalty to the Group.

LAM Man Tin
Managing Director

Hong Kong, 18 March 2011

CORPORATE SOCIAL RESPONSIBILITY

The Group is a staunch supporter of corporate social responsibility, directing its energies towards protecting nature as well as providing resources to the underprivileged — giving back to society.

Wall Calendar Charity Sale

AEON Stores once again organised its popular charity calendar sales in 2010, working alongside renowned business partners on two separate occasions. The first event was the launch of the "Wall Calendar Charity Sale" in October. The beneficiary of the sale was The Conservancy Association and its "Tree Lovers" programme. The second event was subsequently launched in conjunction with Thomas & Friends. Colourful magnetic perpetual calendars were produced and offered to the public with funds going to Fu Hong Society, a charitable organisation that supports the rehabilitation and development of children with disabilities. The two activities raised more than HK$230,000 in total.

Hearty Flower Donation

Coinciding with the Grand Opening of Kowloon Bay Store, the Group organised Hearty Flower Donation campaigns with participation from its business friends. While offering the beauty and appeal of flowers to the community, the campaigns also raised over HK$120,000, helping support the Hong Kong Council of Early Childhood Education & Services, as well as the World Wide Fund — Hong Kong (WWF) and their environmental protection activities. The Group has thus become a Gold Member of WWF.

Used Book Recycling Campaign

For the 19th consecutive year, the Company has worked with World Vision Hong Kong to present the "Used Book Recycling Campaign". Friends from the business community also lent their support, resulting in more than 4,400 cartons of books collected and in excess of HK$1.3 million raised for the construction of Number 2 Secondary School in Yijun county, Shaanxi, China. Most importantly, over 1,000 students will now have the proper facilities to learn and realise their true potential. The campaign also helped open the opportunity to provide books to low-income families in Hong Kong, thus minimise their financial burden, and serve as a reminder to conserve natural resources. Free used books were distributed to libraries of local non-governmental organisations in Kowloon as well.

CORPORATE SOCIAL RESPONSIBILITY

Donations to Aid Relief Efforts in China

The Group has always been an active participant in relief efforts around the world. True to form, when an earthquake struck Qinghai Yushu in China, it quickly drew from its own resources, as well as donations from staff and customers, to help victims. This compassion was demonstrated once again when the Group went on to help support the China Flood Relief Efforts of World Vision Hong Kong. In total, over HK$150,000 was raised for these two projects.

Education and Environmental Protection

AEON Stores is fully committed to promoting environmental conservation, including protection of Hong Kong's unique ecosystem. On its own accord, the Group organised a competition that brought together primary school students with their parents, creating animals and plants by folding excess Lai See envelopes. This not only promulgated the message of environmental protection in a very creative manner, but promoted communication between parents and children as well.

The Group has also supported the Agriculture, Fisheries and Conversation Department and its Country Park Education Programme — Nature in Touch. Specifically, AEON Stores sponsored three junior secondary school students involved in the Department's "Countryside Reporter" interschool contest, enabling them to visit Germany, increase their awareness of environmental conservation and experience an entirely different culture. In addition, the Group is a proponent of Earth Hour, a programme organised by WWF. All non-essential lights were switched off for one hour on 27th March 2010 in observance of the campaign, and to raise awareness of the need to conserve natural resources. What is more, the Group sought to reduce carbon dioxide emissions by supporting "Power Smart 2010", which promotes living a low-carbon lifestyle.

2010 also saw the Group cooperate with the Conservancy Association in launching a series of conservation and education programmes via "Tree for Life 2010". The programmes included a "Tree Ambassador Workshop" where primary school students were presented with the opportunity to learn more about trees through such outdoor experiences as the "Tree for Life" collage painting competition. An award ceremony and "Adopt a Tree" effort were subsequently held at the JUSCO Kornhill store, during which customers were invited to bring the green concept home by adopting a Yellowwood sapling. The Group also recruited one hundred participants, including staff and J CARD members, to experience "Walk for the Environment 2010", part of the "Tree for Life 2010" initiative. The enjoyable walk doubled as an educational journey aimed at enhancing appreciation for environmental conservation.

AWARDS AND ACCOLADES

AEON Stores' dedication to corporate social responsibility and building a strong, respectable brand continued to earn recognition from the community.

Brand Recognition Awards

Throughout the years, AEON Stores has maintained its commitment to delivering exceptional merchandise and services, and standing by its motto, "Everything we do, we do for our customers". Such devotion has garnered recognition and encouragement from people from all walks of life. The Group secured "The Best for Home Award 2009–2010", organised by "Take me Home", a community newspaper of *Hong Kong Economic Times*. JUSCO received resounding support, earning over 60,000 votes during the poll to determine Hong Kong's favourite household department store. Yahoo! Hong Kong honoured the Group as well, via the Retail Chain Category of "Yahoo! Emotive Brands Award 2009–2010". The Group was voted by the public as possessing good brand values and strong attachment with its customers. Still a further accolade was lavished on AEON Stores by way of *Lisa Magazine*. The publication presented the Group with the "Best Editor's Pick Award" for its dedication to delivering the highest level of customer service. All of the awards helped further bolster the Company's reputation for delivering superior services and merchandise to its customers — its long-standing mission.

Social Responsibility Award

For the ninth consecutive year, the Company earned the Caring Company Award from the Hong Kong Council of Social Service in recognition of its unwavering commitment to good corporate citizenship. Furthermore, four non-profit organisations, namely, The Conservancy Association, World Vision Hong Kong, Hong Kong Young Women's Christian Association, and Hong Kong Employment Development Service. And to prove that the entire corporate family is one with the community, World Vision Hong Kong recognised AEON Stores for having the highest number of participants in the Corporations Category of its "Skip-a-Meal" event. With 1,136 employees taking part, the Company grabbed second runner-up position in the Top Fundraising Corporation category.

SENIOR MANAGEMENT PROFILE

Executive Directors

Mr. LAM Man Tin

Mr. Lam (aged 52) was appointed as Executive Director in May 1999 and became the Managing Director in May 2006. He is also a Director of China Business of AEON Co.. Mr. Lam joined the Company in 1992 and has over 20 years of retail and service experiences. He graduated from The University of Hull in the United Kingdom with a master's degree in Strategic Marketing.

Ms. CHAN Pui Man Christine

Ms. Chan (aged 59) was appointed as Executive Director in September 2009 and is the Director of the Buying Division of the Company. Ms. Chan joined the Company in 1998. She has over 20 years of experience in the buying field as well as operations. Ms. Chan is a graduate of the State of Washington University with a bachelor's degree in Business Administration.

Mr. YONETA Yuji

Mr. Yoneta (aged 45) was appointed as Executive Director in September 2009 and is the Director of Operations of the Company. Mr. Yoneta joined AEON Co. in 1988 and transferred to AEON Co. (M) Bhd. in 1999. He joined the Company in 2009. He has over 20 years of experience in the buying field as well as operations. Mr. Yoneta is a graduate of the Kyoto Sangyo University with a bachelor's degree in Business Administration.

Non-executive Directors

Mr. TANAKA Akihito

Mr. Tanaka (aged 63) was appointed as Non-executive Director in June 2006 and became the Chairman in May 2007. He is also a Vice President and the CEO of China Operation of AEON Co.. Joining AEON Co. in 1970, he was a Director of the Company from 1996 to 2003 and the Managing Director of the Company from 1997 to 1998. Mr. Tanaka graduated from Kansai University with a bachelor's degree in Journalism.

Mr. TSUJI Haruyoshi

Mr. Tsuji (aged 55) was appointed as Non-executive Director in March 2011. He is the CEO of China Business of AEON Co. and he was the President of AEON Eaheart Co., Ltd.. He joined AEON Co. in 1978. Mr. Tsuji graduated from Kansai University with a bachelor's degree in Sociology.

Mr. OKUNO Yoshinori

Mr. Okuno (aged 47) was appointed as Non-executive Director in March 2011. He is a Director of China Business of AEON Co. and he is appointed the Managing Director of Guangdong Jusco Teem Stores Co., Ltd., a non-wholly owned subsidiary of the Company. He joined AEON Co. in 1993. Mr. Okuno graduated from Tsukuba University with a bachelor's degree in Science.

Mr. YOSHIDA Akio

Mr. Yoshida (aged 50) was appointed as Non-executive Director in March 2011. He is a Director of China Business of AEON Co. and he was the General Manager of Kanto Development Division of AEON Retail Co., Ltd.. He joined AEON Co. in 1983. Mr. Yoshida graduated from Shinshu University with a bachelor's degree in Agriculture.

Mr. KOMATSU Takashi

Mr. Komatsu (aged 52) was appointed as Non-executive Director in March 2011 and he is appointed the Managing Director of AEON South China Co., Ltd., a wholly owned subsidiary of the Company. He joined AEON Co. in 1983. Mr. Komatsu is a graduate of the Ryukoku University with a bachelor's degree in Sociology.

Independent Non-executive Directors

Prof. LAM PEI Peggy, G.B.S., O.B.E., J.P.

Prof. Lam (aged 82) was appointed as Independent Non-executive Director since 1994. She was the Chairman of the Wan Chai District Council from 1985 to 2003 and was a member of the Preparatory Committee for the Hong Kong Special Administrative Region ('HKSAR'). She has also served as a Hong Kong Affairs Advisor to the People's Republic of China and was the member of the Chinese People's Political Consultative Conference for 15 years and the Executive Committee of All China Women's Federation. She was a member of the Legislative Council from 1988 to 1995 and a member of the Provisional Legislative Council of the HKSAR. She is the Founding Chairperson of Hong Kong Federation of Women. She was appointed as the Justice of Peace in 1981, and awarded the Member of the British Empire (M.B.E.) in 1985 and the Order of the British Empire (O.B.E.) in 1993 by the Queen of Elizabeth II, the Silver Bauhinia Star (S.B.S.) and the Gold Bauhinia Star (G.B.S.) by the Government of the HKSAR in 1998 and 2003 respectively.

Prof. Lam graduated from The University of Shanghai with a bachelor's degree in Arts. She received a Certificate in Family Planning from The University of Chicago and a Certificate in Public Health Administration from The University of Michigan, U.S.A. She was awarded as a Fellow in Family Planning by The American University in 1981 and Honorary Professor by University of Shanghai for Science and Technology in 2006. In 2009, she was also awarded an Honorary University Fellow by Hong Kong Baptist University.

Mr. SHAM Sui Leung Daniel

Mr. Sham (aged 55) was appointed as Independent Non-executive Director in September 2004. He is an associate member of The Institute of Chartered Accountants in England and Wales and also a Certified Public Accountant of the HKICPA. He was a partner with Moores Rowland Mazars from 1988 to 2003. He was a committee member of the Expert Panel on Listing, the Expert Panel on Securities and the Accountants' Report Task Force of the HKICPA. Mr. Sham was also a committee member of the Disciplinary Panel of the HKICPA. A graduate from Leeds University in England, he holds a bachelor's degree in Economics. Mr. Sham is currently an independent non-executive director of Melco International Development Limited which is listed on the Hong Kong Stock Exchange.

SENIOR MANAGEMENT PROFILE

Ms. CHENG Yin Ching Anna

Ms. Cheng (aged 41) was appointed as Independent Non-executive Director in June 2006 and she is a fellow of the Association of Chartered Certified Accountants and also a Certified Public Accountant of the HKICPA. From 1997 to 2004, she was the Finance Director of Rosedale Hotel Group Limited (now renamed as China Agri-Products Exchange Limited), a company listed on the Hong Kong Stock Exchange. She is currently the Chief Financial Officer of Peterson Holdings Company Limited.

Dr. SHAO Kung Chuen Daniel

Dr. Shao (aged 62) was appointed as Independent Non-executive Director in May 2008. He is the Managing Director of Van Yu Trading Co. Ltd. and First Regent Ltd.. In January 2010, Dr. Shao joined the Central Policy Unit of the Government of the HKSAR and also became the Overseas Economic Advisor for Dalian. He is the Senior Advisor of National Institute of Hospital Administration of China and the Honorary Consultant of Peking University Health Science Center in China since 1999. He has been appointed as the Committee Member of Main Committee and the Hong Kong/Japan Business Co-operation Committee of Hong Kong Trade Development Council since 1994. He has also been the member of Advisory Board of School of Continuing & Professional Studies of The Chinese University of Hong Kong since 1991. He was awarded the Bronze Bauhinia Star (B.B.S.) by the Government of the HKSAR in 1999. He graduated from Ohio University, U.S.A. and also received The Honorary Doctor of Law Degree from the University in 1998.

Senior Management

Mr. CHAK Kam Yuen

Mr. Chak (aged 48) is the General Manager of Business Support & E-Business Development of the Company. Since joining the Company in 1987, Mr. Chak has amassed over 20 years of solid experience in retail industry, specialising in store management. Mr. Chak graduated from The Open University of Hong Kong with a master's degree in Business Administration and Electronic Commerce.

Mr. ENDO Takao

Mr. Endo (aged 50) is the General Manager of Specialty Division. He joined AEON Co. in 1984 and transferred to AEON Co. (M) Bhd. in 1994. He has been working for the Company since 1999. Mr. Endo graduated from Takasaki City University of Economics with a bachelor's degree in Business Administration.

Ms. CHAN Suk Jing Janet

Ms. Chan (aged 51) is the General Manager of Licensee Division in Hong Kong and South China. Having joined the Company in 1995, she now possesses over 20 years of experience in the retail industry.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practice

The Board of Directors (the "Board") of the Company is committed to maintaining high standards of corporate governance. The Company has adopted the code provisions set out in the Code of Corporate Governance Practices ("the Code") in Appendix 14 of the Listing Rules as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied throughout the year with the Code.

Directors' Securities Transactions

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 existing Directors, the Company confirms that they have fully complied with the required standard set out in the Model Code throughout the year.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director ("MD").

The Board has scheduled at least four meetings a year and meets as and when required. During the year, the Board held six meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. For all such meetings, at least 14 days' notice is given to all Directors. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. The attendance of the Directors at the Board meetings for the year ended 31 December 2010 are as follows:

Directors' attendance at Board meetings

	Directors	Number of attendance
Executive Directors	Lam Man Tin *(MD)*	6/6
	Chan Pui Man Christine	6/6
	Yuji Yoneta	6/6
	Kenji Fujita (Note 1)	4/6
	Wong Mun Yu (Note 2)	2/6
Non-executive Directors	Akihito Tanaka *(Chairman)*	6/6
	Masaaki Toyoshima (Note 3)	0/6
	Jerome Thomas Black (Note 4)	2/6
	Kazumasa Ishii	5/6
	Fumiaki Origuchi	5/6
Independent Non-executive Directors	Lam Pei Peggy	6/6
	Sham Sui Leung Daniel	6/6
	Cheng Yin Ching Anna	5/6
	Shao Kung Chuen Daniel	4/6

Notes:

1. Mr. Kenji Fujita was appointed as an Executive Director of the Company on 19 March 2010 and there have been four Board meetings held after his appointment.

2. Mr. Wong Mun Yu resigned as an Executive Director of the Company on 19 March 2010.

3. Mr. Masaaki Toyoshima resigned as a Non-executive Director of the Company on 9 July 2010.

4. Mr. Jerome Thomas Black was appointed as a Non-executive Director of the Company on 9 July 2010 and there have been two Board meetings held after his appointment.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees respectively at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Directors are entitled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has received annual confirmations of independence from all existing Independent Non-executive Directors and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 12 to 14 of the annual report respectively.

The Company has not fixed the terms of appointment for all Directors but they are subject to retirement and being eligible, offer themselves for re-election at each annual general meeting of the Company.

Chairman and Chief Executive Officer

The Board considered that the duties of the MD were no difference from that required of a chief executive officer stipulated under the code provision A.2 of the Code. The management would regard that the term MD will have the same meaning as the chief executive officer of the Company.

The Chairman of the Board is a Non-executive Director, who is responsible for the leadership and effective running of the Board, and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

The MD of the Board is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. The Committee's authorities and duties are set out in written terms of reference, which are posted on the Company's website.

Members of the Remuneration Committee and the attendance of each member are set out as follows:

	Directors	Number of attendance
Non-executive Director	Akihito Tanaka *(Chairman)*	5/5
Independent Non-executive Directors	Lam Pei Peggy	5/5
	Sham Sui Leung Daniel	5/5

During 2010, the Remuneration Committee performed the following duties:

— reviewed the remuneration of all Directors (including the MD) and the senior management and recommended the Board to approve their remuneration; and

— reviewed the proposal for the grant of the benefits under the Company's cash-settled share-based payment scheme to certain Directors and staff to reward their contributions to the Group and recommended the Board to approve the grant of these benefits.

Nomination of Directors

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no Director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

New Directors are sought mainly through internal promotions and referrals. In assessing whether a candidate is suitable for appointment as a Director, the Board will consider relevant factors including the independence, experience, skills, personal ethics, integrity and time commitment.

Auditor's Remuneration

During the year under review, the remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees payable HK$'000
Audit services — annual audit	4,976
Non-audit services:	
Review of interim results	630
Taxation services	478
Other services	180
	6,264

Audit Committee

The Audit Committee is responsible for ensuring the objectivity and credibility of the Group's financial reporting. The Committee's authority and duties are set out in written terms of reference, which are posted on the Company's website.

The Audit Committee reviews the Group's financial statements, internal financial reports, and internal control systems. The Audit Committee meets at least twice a year with management and external auditor and reviews their reports.

Members of the Audit Committee and the attendance of each member are set out as follows:

	Directors	Number of attendance
Non-executive Director	Akihito Tanaka	2/2
Independent Non-executive Directors	Sham Sui Leung Daniel *(Chairman)*	2/2
	Lam Pei Peggy	2/2
	Cheng Yin Ching Anna	2/2

During 2010, the Audit Committee performed the following duties:

— reviewed the audited financial statements for the year ended 31 December 2009 with a recommendation to the Board for approval;

— reviewed the un-audited financial statements for the six months ended 30 June 2010 with a recommendation to the Board for approval;

— reviewed various reports on internal control system covering financial, operational, procedural compliance and risk management functions;

— met the external auditor and reviewed their reports to the committee in respect of the audit of the annual results and review of interim results of the Company; and

— met the management and reviewed their reports on connected transactions of the Company.

All members of the Audit Committee possess in-depth experience in their own profession. At least one of the committee members possesses appropriate professional qualifications in finance and accounting and meets the requirements of rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during one year after he ceases to be a partner of the auditing firm.

Accountability

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2010 and for the year ended 31 December 2010, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

Internal Controls

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities

The Company and its subsidiaries are engaged in the operation of retail stores.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 18 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 31.

An interim dividend of 22.1 HK cents per share amounting to HK$57,460,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 31.6 HK cents per share to the shareholders on the register of members on 27 May 2011, amounting to HK$82,160,000, and the retention of the remaining profit for the year of HK$237,870,000.

Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent of the Group's total sales and purchases for the year.

Fixed Assets

During the year, the Group has incurred approximately HK$128 million on property, plant and equipment to renovate its stores and expand its operations.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2010 comprised the retained profits of HK$1,081,682,000 (2009: HK$987,376,000).

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

LAM Man Tin *(Managing Director)*	
CHAN Pui Man Christine	
Yuji YONETA	
Kenji FUJITA	(appointed on 19 March 2010 and resigned on 18 March 2011)
WONG Mun Yu	(resigned on 19 March 2010)

Non-executive Directors

Akihito TANAKA *(Chairman)*	
Haruyoshi TSUJI	(appointed on 18 March 2011)
Yoshinori OKUNO	(appointed on 18 March 2011)
Akio YOSHIDA	(appointed on 18 March 2011)
Takashi KOMATSU	(appointed on 18 March 2011)
Jerome Thomas BLACK	(appointed on 9 July 2010 and resigned on 18 March 2011)
Kazumasa ISHII	(resigned on 18 March 2011)
Fumiaki ORIGUCHI	(resigned on 18 March 2011)
Masaaki TOYOSHIMA	(resigned on 9 July 2010)

Independent non-executive Directors

LAM PEI Peggy
SHAM Sui Leung Daniel
CHENG Yin Ching Anna
SHAO Kung Chuen Daniel

In accordance with Articles 85 and 101 of the Company's Articles of Association, all Directors shall retire from office at the forthcoming annual general meeting and offer themselves for re-election.

The term of office for the Directors is the period up to their retirement in accordance with the above Articles.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Shares and Cash-Settled Share-Based Payment Pursuant to the Company's Stock Appreciation Rights Schemes

As at 31 December 2010, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) **The Company**

Name of Directors	Number of ordinary shares held as personal interests	Number of ordinary shares held as family interests	Number of underlying shares held as personal interests (Note)	Approximate aggregate percentage of interests in the issued share capital of the Company %
LAM Man Tin	20,000	—	738,000	0.292
CHAN Pui Man Christine	6,000	—	52,000	0.022
Akihito TANAKA	50,000	—	—	0.019
Kazumasa ISHII	40,000	—	—	0.015
LAM PEI Peggy	200,000	—	—	0.077
SHAO Kung Chuen Daniel	4,000	4,000	—	0.003

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

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

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

DIRECTORS' REPORT

(c) Other associated corporations

	Akihito TANAKA Number of shares held as personal interests	Akihito TANAKA Approximate percentage of interests %
AEON Fantasy Co., Ltd.	3,801	0.021
AEON Thana Sinsap (Thailand) Plc.	20,000	0.500
AEON Mall Co., Ltd.	4,000	0.002
AEON Co. (M) Bhd.	200,000	0.057
Ryukyu JUSCO Co., Ltd.	100	0.018

(d) Stock Appreciation Rights

i. The Stock Appreciation Rights of the Company are a form of cash settled equity derivative. Particulars of the Stock Appreciation Rights Schemes of the Company (including certain defined terms used below) are set out in the note 33 to the consolidated financial statements.

ii. As at 31 December 2010, certain Directors had interests in Stock Appreciation Rights granted under the Company's Stock Appreciation Rights Schemes as follows:

Name of Directors	Capacity	Number of underlying shares of the Company
LAM Man Tin	Beneficial owner	738,000
CHAN Pui Man Christine	Beneficial owner	52,000

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

Name of Directors and date of grant	Exercise price HK$	Exercise period	Number of underlying shares of the Company					
			Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding at 31.12.2010
LAM Man Tin								
25.9.2009	15.236	1.6.2009 to 31.5.2015	54,000	—	—	—	—	54,000
	15.236	1.6.2010 to 31.5.2015	54,000	—	—	—	—	54,000
	15.236	1.6.2011 to 31.5.2015	72,000	—	—	—	—	72,000
	13.500	25.9.2010 to 24.9.2016	82,800	—	—	—	—	82,800
	13.500	25.9.2011 to 24.9.2016	82,800	—	—	—	—	82,800
	13.500	25.9.2012 to 24.9.2016	110,400	—	—	—	—	110,400
1.9.2010	14.260	1.9.2011 to 31.8.2017	—	84,600	—	—	—	84,600
	14.260	1.9.2012 to 31.8.2017	—	84,600	—	—	—	84,600
	14.260	1.9.2013 to 31.8.2017	—	112,800	—	—	—	112,800
WONG Mun Yu								
25.9.2009	15.236	1.6.2009 to 31.5.2015	6,000	—	—	—	(6,000)	—
	15.236	1.6.2010 to 31.5.2015	6,000	—	—	—	(6,000)	—
	15.236	1.6.2011 to 31.5.2015	8,000	—	—	—	(8,000)	—
	13.500	25.9.2010 to 24.9.2016	8,400	—	—	—	(8,400)	—
	13.500	25.9.2011 to 24.9.2016	8,400	—	—	—	(8,400)	—
	13.500	25.9.2012 to 24.9.2016	11,200	—	—	—	(11,200)	—
CHAN Pui Man Christine								
25.9.2009	13.500	25.9.2010 to 24.9.2016	6,000	—	—	—	—	6,000
	13.500	25.9.2011 to 24.9.2016	6,000	—	—	—	—	6,000
	13.500	25.9.2012 to 24.9.2016	8,000	—	—	—	—	8,000
1.9.2010	14.260	1.9.2011 to 31.8.2017	—	9,600	—	—	—	9,600
	14.260	1.9.2012 to 31.8.2017	—	9,600	—	—	—	9,600
	14.260	1.9.2013 to 31.8.2017	—	12,800	—	—	—	12,800

Notes:

1. The Closing Price on underlying shares on 24 September 2009, the date immediately before the date of grant on 25 September 2009 was HK$12.80.

2. The Closing Price on underlying shares on 31 August 2010, the date immediately before the date of grant on 1 September 2010 was HK$14.20.

Other than as disclosed above, at 31 December 2010, neither the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of PART XV of the SFO).

Directors' Interests in Contracts of Significance and Connected Transactions

During the year, the Group had the following material transactions with AEON Co., Ltd. and its subsidiaries, namely AEON Credit Service (Asia) Company Limited ("ACS"), AEON Fantasy Co., Limited ("AEON Fantasy"), AEON Information Services (Shenzhen) Co., Ltd. ("AIS"), Beijing AEON Co., Ltd. ("BJA"), Qingdao Dongtai Jusco Co., Ltd. ("QDJ"), AEON Delight (Beijing) Co., Ltd. ("ADB") and subsidiaries of AIC Inc.. The Directors of the Company, Messrs. Akihito TANAKA, Masaaki TOYOSHIMA, Kazumasa ISHII and Yuji YONETA, have beneficial interests in AEON Co., Ltd.. Mr. Akihito TANAKA also has beneficial interests in AEON Fantasy. The Company had made purchases from First Regent Ltd., in which Dr. SHAO Kung Chuen Daniel, the Director of the Company, has a beneficial interest.

(i) The Group made purchases from subsidiaries of AIC Inc. amounting to a total of HK$152,331,000.

(ii) ACS and the Company have entered into a number of service agreements under which ACS pays to the Company a fixed monthly rental in respect of service counters, cash dispensing machines and cash repayment machines operated by ACS in the stores of the Company. The total amount of rental paid and payable by ACS for the year was HK$7,305,000.

(iii) Royalties payable to AEON Co., Ltd. for the year pursuant to the amended technical assistance agreement amounted to HK$35,883,000. Details of the royalty payable to AEON Co., Ltd. are set out in section headed "Connected Transactions".

(iv) The Company pays commissions of HK$10,551,000 to ACS for credit facilities provided by ACS to the customers. Details of the commission payable to ACS are set out in section headed "Connected Transactions".

(v) The Company pays franchise fee, consumable expenses and purchase of machines at the aggregate amount of HK$1,201,000 to AEON Fantasy for running franchise business. Details are set out in the section headed "Connected Transactions".

(vi) The subsidiaries registered in the People's Republic of China of the Company ("PRC AEON Stores") pay service fee of HK$4,987,000 to AIS which handles the AEON Card applications, the issue of AEON Cards and carrying out other card related business. On the other hand, AIS needs to pay rental fee of HK$486,000 and service fees of HK$894,000 to PRC AEON Stores for setting up the service counters in the stores of PRC AEON Stores. Details are set out in the section headed "Connected Transactions".

(vii) The Company made purchases from First Regent Ltd. amounting to a total of HK$84,000.

(viii) BJA pays service fee of HK$3,241,000 to PRC AEON Stores for the provision of information system services.

(ix) QDJ pays service fee of HK$1,060,000 and HK$628,000 to PRC AEON Stores for the provision of logistic services and information system services respectively.

(x) PRC AEON Stores pay service fee of HK$1,818,000 to ADB which provides cleaning and facilities maintenance services within the stores premises of PRC AEON Stores.

Other than as disclosed above, no contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company discloses the following continuing connected transactions incurred during the year.

(i) The subsidiary of the Company, Guangdong Jusco Teem Stores Co., Ltd. ("GDJ") and a related party of the Company, Guangdong Teem (Holdings) Limited ("Teem Holding") have entered into a tenancy agreement under which GDJ pays rent to Teem Holding. In accordance with the tenancy agreement, GDJ pays rental, management fees, utility expenses and usage charges and other fees in relation to any provisional showrooms, storage areas, other facilities and special equipment that GDJ may from time to time choose to rent or employ to Teem Holding and Guangdong Teem Properties Management Limited ("Teem Properties") respectively for the year. GDJ was held as to 65% and 35% by the Company and Guangdong Teemall Department Stores Holdings Limited ("Teem Department Stores") respectively. The premises, being the subject of the tenancy agreement, is owned by Teem Holding. Teem Department Stores and Teem Properties are the wholly-owned subsidiaries of Teem Holding. The total amount of rental, management fees, utility expenses and other charges paid and payable by GDJ for the year was RMB44,833,000. This amount does not exceed the cap amount of RMB70,000,000 as shown in the announcement of the Company dated 9 June 2010.

(ii) AEON Co., Ltd. and the Company have entered into agreements under which the Company pays royalties to AEON Co., Ltd. for the rights to use certain trade marks of AEON Co., Ltd. and the system of information and know-how. The total amount of royalties paid and payable by the Company for the year was HK$35,883,000. This amount does not exceed the cap amount of HK$55 million as shown in the announcement of the Company dated 16 April 2010.

(iii) ACS and the Company have entered into agreements under which the Company pays commission to ACS in respect of certain purchases made by customers of the Company with the use of the Company's various co-brand cards and certain purchases which are financed by interest-free hire purchase credit facilities provided by ACS to customers of the Company. The total amount of commission paid and payable by the Company for the year was HK$10,551,000. This amount does not exceed the cap amount of HK$15,300,000 for the year as shown in the announcement of the Company dated 16 April 2008.

(iv) AEON Fantasy and the Company have entered into an agreement under which AEON Fantasy granted the sole exclusive right and licence to the Company and its affiliates by AEON Fantasy to operate the franchise business operated under and conducted under certain trade marks and trade names owned by or made available to AEON Fantasy using the distinctive business format and method developed and implemented by AEON Fantasy. The total amount of franchise fee, purchase prices of machines, consumables and administrative costs provided by AEON Fantasy to the Company and its affiliates for the year was HK$1,201,000. This amount does not exceed the cap amount of HK$33,500,000 as shown in the announcement of the Company dated 4 July 2008.

DIRECTORS' REPORT

(v) AIS, the subsidiaries of the Company ("PRC AEON Stores") and other subsidiaries of AEON Co., Ltd. have entered into outsourcing agreements under which the PRC AEON Stores pay service fee to AIS in respect of the services rendered to the PRC AEON Stores by AIS for handling the issue of AEON Cards and the sales application using AEON Cards within the PRC AEON Stores. AIS also pays a fee to the PRC AEON Stores for setting up service counters in the PRC AEON Stores to handle AEON Cards, issue and sales applications. The aggregate amount payable by the PRC AEON Stores to AIS and by AIS to the PRC AEON Stores under the outsourcing agreements for the year was HK$6,367,000. The aggregate amounts do not exceed the cap amount of HK$42,000,000 as shown in the announcements of the Company dated 23 July 2008 and 22 December 2008.

Pursuant to the Listing Rules, the Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favorable to the Company than terms available from independent third parties; (iii) in accordance with each of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcements of the Company as mentioned above.

The auditor of the Company has performed certain agreed upon procedures on the above continuing connected transactions for the year ended 31 December 2010 (the "Transactions") pursuant to Rule 14A.38 of the Listing Rules and reported their factual findings on these procedures to the Board of Directors and confirmed that the Transactions have been approved by the Board; based on the samples selected for the agreed upon procedures performed, the auditor found that the Transactions have been entered into in accordance with the relevant agreements governing the Transactions and have not exceeded the caps set out in the respective paragraphs above.

Appointment of Independent Non-Executive Directors

The Company has received, from each of the existing Independent Non-Executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Substantial Shareholders

At 31 December 2010, shareholders (other than Directors or chief executive 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	25,998,000 (Note 2)	9.99
Commonwealth Bank of Australia	12,990,000	5.00

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

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

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

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 December 2010.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiaries, its ultimate holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

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.

Donations

During the year, the Group made charitable and other donations amounting to HK$960,000.

Emolument Policy

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

Event after the Reporting Period

Details of significant event occurring after the reporting period are set out in note 37 to the consolidated financial statements.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

LAM Man Tin
Managing Director

Hong Kong, 18 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF AEON STORES (HONG KONG) CO., LIMITED
永旺(香港)百貨有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AEON Stores (Hong Kong) Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 87, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	5	**6,106,485**	5,897,909
Other income		**446,030**	413,675
Investment income	7	**21,474**	25,785
Purchases of goods and changes in inventories		**(4,074,759)**	(3,947,340)
Staff costs		**(638,235)**	(606,972)
Depreciation		**(118,958)**	(147,715)
Loss on disposal of property, plant and equipment		**(733)**	(12,824)
Impairment loss recognised in respect of property, plant and equipment	17	**(12,490)**	(4,181)
Pre-operating expenses	8	**(12,617)**	(10,633)
Other expenses		**(1,308,768)**	(1,333,105)
Finance costs	9	**(5,852)**	(7,175)
Profit before tax		**401,577**	267,424
Income tax expense	10	**(81,547)**	(72,253)
Profit for the year	11	**320,030**	195,171
Profit for the year attributable to:			
Owners of the Company		**279,218**	167,148
Non-controlling interests		**40,812**	28,023
		320,030	195,171
Earnings per share	15	**107.39 cents**	64.29 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**320,030**	195,171
Other comprehensive income		
Fair value (loss) gain on available-for-sale investments	**(1,045)**	12,456
Exchange differences arising on translation of foreign operations	**9,869**	(777)
Other comprehensive income for the year	**8,824**	11,679
Total comprehensive income for the year	**328,854**	206,850
Total comprehensive income attributable to:		
Owners of the Company	**283,422**	179,043
Non-controlling interests	**45,432**	27,807
	328,854	206,850

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current Assets			
Goodwill	16	**94,838**	94,838
Property, plant and equipment	17	**494,847**	487,775
Available-for-sale investments	19	**26,836**	27,881
Callable time deposits	20	**—**	77,641
Long term time deposit	20	**117,118**	116,461
Deferred tax assets	21	**25,800**	11,739
Rental deposits		**109,086**	85,975
Deposit paid for acquisition of investment property	37	**31,000**	—
		899,525	902,310
Current Assets			
Inventories	22	**585,117**	558,450
Trade receivables	23	**21,003**	19,443
Other receivables, prepayments and deposits		**63,163**	92,548
Amounts due from fellow subsidiaries	24	**90,957**	65,238
Tax recoverable		**—**	8,182
Pledged bank deposits	32	**12,143**	12,470
Bank balances and cash	24	**2,168,383**	1,903,696
		2,940,766	2,660,027
Current Liabilities			
Trade payables	25	**1,212,876**	1,224,119
Other payables and accrued charges	27	**929,562**	754,843
Amounts due to fellow subsidiaries	27	**45,303**	45,951
Amount due to ultimate holding company	27	**39,422**	35,156
Bank borrowings	26	**23,410**	124,432
Income tax payable		**34,540**	16,357
Dividend payable		**614**	520
		2,285,727	2,201,378
Net Current Assets		**655,039**	458,649
Total Assets Less Current Liabilities		**1,554,564**	1,360,959

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Capital and Reserves			
Share capital	28	**52,000**	52,000
Share premium and reserves		**1,258,665**	1,091,463
Equity attributable to owners of the Company		**1,310,665**	1,143,463
Non-controlling interests		**145,527**	110,627
Total Equity		**1,456,192**	1,254,090
Non-current Liabilities			
Rental deposits received		**71,407**	58,708
Deferred tax liabilities	21	**3,555**	2,913
Bank borrowings	26	**23,410**	45,248
		98,372	106,869
		1,554,564	1,360,959

The consolidated financial statements on pages 31 to 87 were approved and authorised for issue by the Board of directors on 18 March 2011 and are signed on its behalf by:

AKIHITO TANAKA
Director

LAM MAN TIN
Director

COMPANY'S STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current Assets			
Property, plant and equipment	17	**157,189**	158,794
Investments in subsidiaries	18	**276,238**	212,129
Available-for-sale investments	19	**26,836**	27,881
Callable time deposits	20	**—**	77,641
Long term time deposit	20	**117,118**	116,461
Deferred tax assets	21	**8,735**	8,398
Rental deposits		**67,500**	43,173
Deposit paid for acquisition of investment property	37	**31,000**	—
		684,616	644,477
Current Assets			
Inventories	22	**309,201**	361,342
Trade receivables	23	**8,874**	7,984
Other receivables, prepayments and deposits		**31,336**	55,580
Amounts due from subsidiaries	24	**14,285**	9,709
Amounts due from fellow subsidiaries	24	**51,219**	41,640
Tax recoverable		**—**	8,182
Bank balances and cash	24	**1,052,922**	973,871
		1,467,837	1,458,308
Current Liabilities			
Trade payables	25	**544,466**	630,736
Other payables and accrued charges	27	**259,759**	238,467
Amounts due to fellow subsidiaries	27	**34,947**	39,524
Amount due to ultimate holding company	27	**39,717**	35,688
Income tax payable		**3,694**	—
Dividend payable		**614**	520
		883,197	944,935
Net Current Assets		**584,640**	513,373
Total Assets Less Current Liabilities		**1,269,256**	1,157,850

COMPANY'S STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Capital and Reserves			
Share capital	28	**52,000**	52,000
Share premium and reserves	29	**1,167,744**	1,074,483
		1,219,744	1,126,483
Non-current Liabilities			
Rental deposits received		**45,957**	28,454
Deferred tax liabilities	21	**3,555**	2,913
		49,512	31,367
		1,269,256	1,157,850

AKIHITO TANAKA
Director

LAM MAN TIN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Investment reserve revaluation HK$'000	Translation reserve HK$'000	The People's Republic of China ("PRC") statutory reserve HK$'000	Non-distributable reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	52,000	63,158	11,493	17,750	6,095	18,389	893,035	1,061,920	92,375	1,154,295
Profit for the year	—	—	—	—	—	—	167,148	167,148	28,023	195,171
Other comprehensive income for the year	—	—	12,456	(561)	—	—	—	11,895	(216)	11,679
Total comprehensive income for the year	—	—	12,456	(561)	—	—	167,148	179,043	27,807	206,850
Transfer, net of non-controlling interests share	—	—	—	—	3,064	7,534	(10,598)	—	—	—
Dividends	—	—	—	—	—	—	(97,500)	(97,500)	—	(97,500)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(9,555)	(9,555)
At 31 December 2009	52,000	63,158	23,949	17,189	9,159	25,923	952,085	1,143,463	110,627	1,254,090
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**279,218**	**279,218**	**40,812**	**320,030**
Other comprehensive income for the year	**—**	**—**	**(1,045)**	**5,249**	**—**	**—**	**—**	**4,204**	**4,620**	**8,824**
Total comprehensive income for the year	**—**	**—**	**(1,045)**	**5,249**	**—**	**—**	**279,218**	**283,422**	**45,432**	**328,854**
Transfer, net of non-controlling interests share	**—**	**—**	**—**	**—**	**2,525**	**8,811**	**(11,336)**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(116,220)**	**(116,220)**	**—**	**(116,220)**
Dividend paid to non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,532)**	**(10,532)**
At 31 December 2010	**52,000**	**63,158**	**22,904**	**22,438**	**11,684**	**34,734**	**1,103,747**	**1,310,665**	**145,527**	**1,456,192**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**401,577**	267,424
Adjustments for:		
Investment income	**(21,474)**	(25,785)
Finance costs	**5,852**	7,175
Depreciation	**118,958**	147,715
Loss on disposal of property, plant and equipment	**733**	12,824
Impairment loss recognised in respect of property, plant and equipment	**12,490**	4,181
Write-down of inventories	**1,619**	3,340
Operating cash flows before movements in working capital	**519,755**	416,874
Increase in inventories	**(19,765)**	(13,249)
(Increase) decrease in trade receivables	**(1,155)**	873
Decrease in other receivables, prepayments and deposits	**8,359**	6,422
Increase in amounts due from fellow subsidiaries	**(24,543)**	(7,414)
(Decrease) increase in trade payables	**(33,116)**	162,536
Increase in rental deposits received, other payables and accrued charges	**172,377**	114,936
Decrease in amounts due to fellow subsidiaries	**(958)**	(10,522)
Decrease in amount due to ultimate holding company	**4,279**	3,460
Cash generated from operations	**625,233**	673,916
Hong Kong Profits Tax paid	**(28,054)**	(47,776)
People's Republic of China income taxes paid	**(41,006)**	(23,746)
Interest paid	**(5,852)**	(7,175)
Interest on bank deposits, callable time deposits and long term time deposit received	**20,263**	24,574
NET CASH FROM OPERATING ACTIVITIES	**570,584**	619,793
INVESTING ACTIVITIES		
Decrease in callable time deposits	**77,641**	77,845
Increase in long term time deposit	**—**	(116,461)
Decrease (increase) in pledged bank deposits	**743**	(235)
Dividends received from investments	**1,211**	1,211
Purchase of property, plant and equipment	**(137,199)**	(206,865)
Proceeds from disposal of property, plant and equipment	**199**	106
Deposit paid for acquisition of investment property	**(31,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(88,405)**	(244,399)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**91,458**	829,590
Repayment of bank borrowings	**(217,213)**	(811,506)
Dividends paid	**(116,126)**	(97,428)
Dividends paid to non-controlling shareholders	**(10,532)**	(9,555)
NET CASH USED IN FINANCING ACTIVITIES	**(252,413)**	(88,899)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**229,766**	286,495
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,903,696**	1,618,932
Effect of foreign exchange rate changes	**34,921**	(1,731)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by	**2,168,383**	1,903,696
Bank balances and cash	**2,168,383**	1,903,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. General

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

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

The principal activity of the Group is the operation of retail stores.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")/ Changes in Accounting Policies

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of these new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")/ Changes in Accounting Policies — continued

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The Directors of the Company anticipate that the application of the new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2A. Changes of Accounting Estimates

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

The change in depreciation rate has decreased the depreciation charge for the year by approximately HK$28,245,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3. Significant Accounting Policies — continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Investments in subsidiaries are included in the Company's statement of financial position at cost, less any accumulated impairment loss.

Revenue recognition

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

Deposits and instalments received from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed. Concessionaire income on sales of goods is recognised when the related goods are sold and is measured on a net basis, representing the excess of sales proceeds from goods delivered over the amount charged by the supplier.

Sale of goods that result in award credits for customers, under the Group's customer privilege programmes are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value — the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction — but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. Significant Accounting Policies — continued

Revenue recognition — continued

Rentals received from licensees are recognised on a straight-line basis over the terms of the relevant licence agreements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method at the following rates:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for other own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies — continued

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including long term time deposits, trade receivables, other receivables, amounts due from fellow subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit and loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. Significant Accounting Policies — continued

Financial instruments — continued

Derecognition

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

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

Inventories

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

Share-based payment transactions

Cash-settled share-based payment transactions

The Group operates a cash-settled share appreciation rights plan. The related cost of services received from the employees and the liability to pay for such services are measured at the fair value of the liability. Fair value is established at the grant date and re-measured at each reporting date until the liability is settled. The fair value of the liability at each reporting date is expensed on a straight line basis over the vesting period, based on the Group's estimate of the cash-settled share appreciation rights that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of the cash-settled share appreciation rights expected to vest. The impact of the revision and remeasurement, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate. After the vesting date, changes in fair value of the liability is recognised in profit or loss until the liability is settled.

Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. Significant Accounting Policies — continued

Foreign currencies — continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

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

Pre-operating expenses

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

3. Significant Accounting Policies — continued

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2010, a deferred tax asset of HK$25,800,000 (2009: HK$11,739,000) and HK$8,735,000 (2009: HK$8,398,000) in relation to accelerated accounting depreciation and other temporary differences has been recognised in the Group's consolidated statement of financial position and in the Company's statement of financial position respectively. The realisability of the deferred tax asset mainly depends on whether taxable profit will be available against which the deductible temporary differences can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

In addition, as at 31 December 2010, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of subsidiaries operating in other regions in the PRC of HK$98,488,000 (2009: HK$113,294,000) due to unpredictability of future profit streams. The realisability of the tax effect of tax losses mainly depends on whether sufficient profits or taxable temporary differences will be available in the future.

Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value for certain items when there is objective evidence that the cost of inventories may not be recoverable for those items. The cost of inventories may not be recoverable if certain items of inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the items of affected inventories.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty — continued

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is HK$94,838,000 (2009: HK$94,838,000). Details of the recoverable amount calculation are disclosed in note 16.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment. The estimated useful lives are based on the periods the property, plant and equipment are expected to be available for use, including the expiry of any related leases. When the actual useful lives of property, plant and equipment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

5. Revenue

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:

	2010 HK$'000	2009 HK$'000
Direct sales	**5,258,915**	5,082,837
Income from concessionaire sales	**847,570**	815,072
Revenue	**6,106,485**	5,897,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6. Segment Information

Information reported to the Group's chief operating decision maker (i.e. the Executive Director) 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 maker identifies Hong Kong and the PRC as the two reportable segments.

Segment revenues and results

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

For the year ended 31 December 2010

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Segment revenue — external	**3,189,823**	**2,916,662**	**6,106,485**
Segment profit	**232,260**	**153,695**	**385,955**
Dividend income			**1,211**
Interest income			**20,263**
Finance costs			**(5,852)**
Profit before tax			**401,577**

For the year ended 31 December 2009

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Segment revenue — external	3,271,292	2,626,617	5,897,909
Segment profit/(loss)	265,923	(17,109)	248,814
Dividend income			1,211
Interest income			24,574
Finance costs			(7,175)
Profit before tax			267,424

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of dividend income, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. Segment Information — continued

Other segment information

For the year ended 31 December 2010

	Hong Kong HK$'000	**PRC HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss:			
Depreciation	**47,990**	**70,968**	**118,958**
Loss on disposal of property, plant and equipment	**574**	**159**	**733**
Write-down of inventories	**1,619**	**—**	**1,619**
Impairment losses on property, plant and equipment recognised in profit or loss	**12,490**	**—**	**12,490**

For the year ended 31 December 2009

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation	45,658	102,057	147,715
Loss on disposal of property, plant and equipment	—	12,824	12,824
Write-down of inventories	3,340	—	3,340
Impairment losses on property, plant and equipment recognised in profit or loss	4,019	162	4,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

6. Segment Information — continued

Geographical information

The information of the group's non-current assets by geographical location of assets other than available-for-sale investments, callable time deposits, long term time deposits and deferred tax assets are set out below:

	2010 HK$'000	2009 HK$'000
Hong Kong (country of domicile)	**255,689**	201,967
PRC	**474,082**	466,621
	729,771	668,588

7. Investment Income

	2010 HK$'000	2009 HK$'000
Dividends from listed equity securities	**1,211**	1,211
Interest on bank deposits and callable deposits and long term time deposit	**20,263**	24,574
	21,474	25,785

8. Pre-Operating Expenses

The amounts represent the set up costs for new stores. Included in pre-operating expenses were staff costs of HK$6,849,000 (2009: HK$6,849,000).

9. Finance Costs

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

10. Income Tax Expense

	2010 **HK$'000**	2009 HK$'000
The charges comprise:		
Current tax		
Hong Kong	**40,087**	37,439
Other regions in the PRC	**52,168**	33,300
	92,255	70,739
Under(over)provision in prior years		
Hong Kong	**(157)**	646
Other regions in the PRC	**2,868**	(1,240)
	2,711	(594)
	94,966	70,145
Deferred tax (Note 21)		
Current year	**(13,419)**	2,108
Income tax expense for the year	**81,547**	72,253

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. Income Tax Expense — continued

The tax charge for the year can be reconciled to profit per the consolidated income statement as follows:

	2010 **HK$'000**	2009 HK$'000
Profit before tax	**401,577**	267,424
Taxation at the applicable rate of 16.5% (2009: 16.5%)	**66,260**	44,125
Tax effect of expenses that are not deductible for tax purpose	**10,115**	9,347
Tax effect of income not taxable for tax purpose	**(8,232)**	(7,758)
Tax effect of tax losses not recognised	**1,136**	13,958
Utilisation of tax losses previously not recognised	**(1,854)**	(289)
Utilisation of deductible temporary difference previously not recognised	**—**	(272)
Withholding tax on undistributed earnings of subsidiaries (note 21)	**2,517**	1,228
Effect of different tax rates of entities operating in the PRC	**11,844**	9,664
Under(over)provision in prior years	**2,711**	(594)
Others	**(2,950)**	2,844
Income tax expense	**81,547**	72,253

11. Profit for the Year

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
— current year	**4,565**	3,493
— underprovision for prior year	**411**	—
	4,976	3,493
Cash settled share-based payments	**1,064**	1,810
Exchange (gain) loss	**(4,402)**	4,362
Operating lease rentals in respect of rented premises (included in other expenses)		
— minimum lease payments	**576,126**	604,287
— contingent rent (Note)	**46,138**	47,577
	622,264	651,864
Retirement benefits scheme contributions, net of forfeited contributions of HK$19,567 (2009: HK$19,567)	**45,115**	44,528
Royalties payable to the ultimate holding company	**35,883**	34,475
Rental income (included in other income)		
— minimum lease payments	**(289,259)**	(261,415)
— contingent rent (Note)	**(54,370)**	(61,037)
	(343,629)	(322,452)
Write-down of inventories (included in purchase of goods and changes in inventories)	**1,619**	3,340

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

12. Directors' Emoluments

The emoluments paid or payable to each of the 14 (2009: 15) Directors were as follows:

For the year ended 31 December 2010

	Lam Man Tin HK$'000	Yutaka Fukumoto HK$'000	Wong Mun Yu HK$'000	Yutaka Agawa HK$'000	Chan Pui Man Christine HK$'000	Yuji Yoneta HK$'000	Kenji Fujita HK$'000	Akihito Tanaka HK$'000	Jerome Thomas Black HK$'000	Masaaki Toyoshima HK$'000	Kazumasa Ishii HK$'000	Susumu Inoue HK$'000	Fumiaki Origuchi HK$'000	Lam Pei Peggy HK$'000	Sham Sui Leung, Daniel HK$'000	Cheng Yin Ching, Anna HK$'000	Shao Kung Chuen HK$'000	Total HK$'000
Fees	**220**	**—**	**13**	**—**	**70**	**—**	**—**	**400**	**68**	**73**	**140**	**—**	**—**	**190**	**190**	**140**	**170**	**1,674**
Other emoluments																		
Salaries and other benefits	**2,153**	**—**	**621**	**—**	**1,101**	**1,977**	**1,637**	**—**	**—**	**—**	**—**	**—**	**2,254**	**—**	**—**	**—**	**—**	**9,743**
Cash-settled share-based payments	**1,171**	**—**	**—**	**—**	**133**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,304**
Contributions to retirement benefits schemes	**102**	**—**	**16**	**—**	**63**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**181**
Total	**3,646**	**—**	**650**	**—**	**1,367**	**1,977**	**1,637**	**400**	**68**	**73**	**140**	**—**	**2,254**	**190**	**190**	**140**	**170**	**12,902**

For the year ended 31 December 2009

	Lam Man Tin HK$'000	Yutaka Fukumoto HK$'000	Wong Mun Yu HK$'000	Yutaka Agawa HK$'000	Chan Pui Man Christine HK$'000	Yuji Yoneta HK$'000	Kenji Fujita HK$'000	Akihito Tanaka HK$'000	Jerome Thomas Black HK$'000	Masaaki Toyoshima HK$'000	Kazumasa Ishii HK$'000	Susumu Inoue HK$'000	Fumiaki Origuchi HK$'000	Lam Pei Peggy HK$'000	Sham Sui Leung, Daniel HK$'000	Cheng Yin Ching, Anna HK$'000	Shao Kung Chuen HK$'000	Total HK$'000
Fees	200	—	60	—	17	—	—	360	—	120	120	—	—	170	170	120	150	1,487
Other emoluments																		
Salaries and other benefits	2,120	1,174	1,402	734	240	426	—	—	—	—	—	1,472	354	—	—	—	—	7,922
Cash-settled share-based payments	1,424	—	148	—	74	—	—	—	—	—	—	—	—	—	—	—	—	1,646
Contributions to retirement benefits schemes	102	—	73	—	18	—	—	—	—	—	—	—	—	—	—	—	—	193
Total	3,846	1,174	1,683	734	349	426	—	360	—	120	120	1,472	354	170	170	120	150	11,248

No Directors waived any emoluments during each of the two years ended 31 December 2010 and 2009.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2009: one) were Directors of the Company whose emolument are included in the disclosures in note 12 above. The emoluments of the remaining three individuals (2009: four) were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**8,078**	6,867
Performance based bonus	**418**	770
Contributions to retirement benefit schemes	**126**	791
	8,622	8,428

	2010 No. of employees	2009 No. of employees
Their emoluments were within the following bands:		
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**2**	—

14. Dividends

	2010 HK$'000	2009 HK$'000
Final dividend paid for 2009 of 22.6 HK cents (2009: 27.9 HK cents for 2008) per ordinary share	**58,760**	72,540
Interim dividend paid for 2010 of 22.1 HK cents (2009: 9.6 HK cents for 2009) per ordinary share	**57,460**	24,960
	116,220	97,500

The Board of Directors has recommended a final dividend of 31.6 HK cents per share (2009: 22.6 HK cents) to be paid on or before 24 June 2011, subject to shareholders' approval at the forthcoming annual general meeting on 27 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

15. Earnings Per Share

The calculation of 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$279,218,000 (2009: HK$167,148,000) and on 260,000,000 (2009: 260,000,000) ordinary shares in issue during the year.

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

16. Goodwill

	HK$'000
COST	
At 31 December 2010 and 31 December 2009	94,838

The amount represents goodwill arising from the acquisition of an additional 35% interest in AEON South China (as defined in note 18) in 2008. AEON South China became a wholly-owned subsidiary of the Company afterwards.

The Group identifies the retail stores business operated by AEON South China as the single cash generating unit ("CGU") to which the goodwill of HK$94,838,000 is allocated.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections with growth rates ranging from 0% to 10% based on financial budgets approved by management covering a 5-year period, and discount rate of 6.4%. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believe that any reasonable possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

17. Property, Plant and Equipment

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2009	933,012	416,958	5,153	28,347	1,383,470
Exchange adjustments	(1,281)	(406)	(11)	(72)	(1,770)
Additions	44,632	28,967	477	135,199	209,275
Transfer	109,977	34,985	—	(144,962)	—
Disposals	(140,688)	(17,782)	(301)	—	(158,771)
At 31 December 2009	945,652	462,722	5,318	18,512	1,432,204
Exchange adjustments	**20,586**	**7,921**	**161**	**297**	**28,965**
Additions	**41,278**	**11,401**	**804**	**74,609**	**128,092**
Transfer	**67,287**	**20,706**	**676**	**(88,669)**	**—**
Disposals	**(80,298)**	**(53,927)**	**(1,190)**	**—**	**(135,415)**
At 31 December 2010	**994,505**	**448,823**	**5,769**	**4,749**	**1,453,846**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2009	639,675	296,453	3,280	—	939,408
Exchange adjustments	(778)	(248)	(8)	—	(1,034)
Provided for the year	96,688	50,268	759	—	147,715
Impairment loss recognised in profit or loss	4,031	150	—	—	4,181
Eliminated on disposals	(130,860)	(14,680)	(301)	—	(145,841)
At 31 December 2009	608,756	331,943	3,730	—	944,429
Exchange adjustments	**12,491**	**4,999**	**115**	**—**	**17,605**
Provided for the year	**75,293**	**42,952**	**713**	**—**	**118,958**
Impairment loss recognised in profit or loss	**12,490**	**—**	**—**	**—**	**12,490**
Eliminated on disposals	**(80,298)**	**(53,211)**	**(974)**	**—**	**(134,483)**
At 31 December 2010	**628,732**	**326,683**	**3,584**	**—**	**958,999**
CARRYING VALUES					
At 31 December 2010	**365,773**	**122,140**	**2,185**	**4,749**	**494,847**
At 31 December 2009	336,896	130,779	1,588	18,512	487,775

17. Property, Plant and Equipment — continued

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE COMPANY					
COST					
At 1 January 2009	394,920	235,746	649	1,514	632,829
Additions	43,080	10,392	—	23,442	76,914
Transfer	23,213	1,273	—	(24,486)	—
Disposals	(69,308)	—	—	—	(69,308)
At 31 December 2009	391,905	247,411	649	470	640,435
Additions	**39,563**	**6,556**	**804**	**12,690**	**59,613**
Transfer	**12,111**	**665**	**150**	**(12,926)**	**—**
Disposals	**(80,298)**	**(47,649)**	**(649)**	**—**	**(128,596)**
At 31 December 2010	**363,281**	**206,983**	**954**	**234**	**571,452**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2009	314,392	186,657	223	—	501,272
Provided for the year	29,310	16,185	163	—	45,658
Eliminated on disposals	(69,308)	—	—	—	(69,308)
Impairment loss recognised in profit or loss	4,019	—	—	—	4,019
At 31 December 2009	278,413	202,842	386	—	481,641
Provided for the year	**32,539**	**15,222**	**229**	**—**	**47,990**
Eliminated on disposals	**(80,296)**	**(47,129)**	**(433)**	**—**	**(127,858)**
Impairment loss recognised in profit or loss	**12,490**	**—**	**—**	**—**	**12,490**
At 31 December 2010	**243,146**	**170,935**	**182**	**—**	**414,263**
CARRYING VALUES					
At 31 December 2010	**120,135**	**36,048**	**772**	**234**	**157,189**
At 31 December 2009	113,492	44,569	263	470	158,794

17. Property, Plant and Equipment — continued

During the year, the Directors conducted a review of the Group's building fixtures and determined that a number of the building fixtures related to stores in Hong Kong were impaired, as the performance of some stores were below the budget. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. 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 with growth rates ranging from 0% to 5%, and at a discount rate of 5%. Cash flow projections during the budget period are 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. Accordingly, an impairment loss of HK$12,490,000 (2009: HK$4,181,000) and HK$12,490,000 (2009: HK$4,019,000) has been recognised in respect of property, plant and equipment of the Group and the Company respectively.

18. Investments in Subsidiaries

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**347,962**	283,853
Less: impairment loss	**(71,724)**	(71,724)
	276,238	212,129

During the year, the Directors reviewed the carrying values of the investments in subsidiaries. The recoverable amount of the investments in subsidiaries is estimated by Directors based on the expected future cash flows to be generated from the operation of those subsidiaries. As at 31 December 2010, impairment loss of HK$71,724,000 (2009: HK$71,724,000) had been recognised.

Particulars of the subsidiaries at 31 December 2010 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered/ ordinary share capital	Proportion of registered/ issued capital directly held by the Group	Principal activities
Guangdong Jusco Teem Stores Co., Ltd. ("GDJ")	Sino-foreign equity joint venture	PRC	RMB104,800,000	65% (2009: 65%)	Retail stores
AEON South China Co., Ltd. ("AEON South China")	Wholly-owned foreign enterprise	PRC	RMB212,800,000	100% (2009: 100%)	Retail stores
Jusco Stores (Hong Kong) Co., Limited	Incorporated	Hong Kong	HK$1,000	100% (2009: 100%)	Inactive

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For the year ended 31 December 2010

19. Available-for-Sale Investments

Available-for-sale investments comprise:

	THE GROUP AND THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Equity securities:		
Listed shares in Hong Kong at fair value	**24,596**	25,731
Debt securities:		
Unlisted club debenture at fair value	**2,240**	2,150
	26,836	27,881

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

The listed securities detailed above represent an investment in a fellow subsidiary of HK$24,596,000 (2009: HK$25,731,000).

20. Callable Time Deposits and Long Term Time Deposit

Callable time deposits (the "Deposits") represent principal protected 5 years United States dollars-denominated deposits due on 24 April 2013, which carry predetermined fixed interest rates. The average effective interest rate is 4.75% (2009: 4.75%) per annum. The bank (i.e. the issuer) which issues the Deposits has an option to early redeem the Deposits quarterly or semi-annually at par value. The Company and the Group is entitled to interest payments due on the early redemption date. The early redemption option is considered to be closely related embedded derivative.

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

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

21. Deferred Taxation

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

	THE GROUP				
	Accelerated accounting depreciation HK$'000	Provision for staff costs HK$'000	Other temporary differences HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1 January 2009	13,164	—	344	(2,574)	10,934
Credit (charge) to income statement	(5,114)	3,341	4	(1,228)	(2,997)
Withholding tax paid on distributed profits of subsidiaries during the year	—	—	—	889	889
At 31 December 2009	**8,050**	**3,341**	**348**	**(2,913)**	**8,826**
Credit (charge) to income statement	**312**	**13,724**	**25**	**(2,517)**	**11,544**
Withholding tax paid on distributed profits of subsidiaries during the year	**—**	**—**	**—**	**1,875**	**1,875**
At 31 December 2010	**8,362**	**17,065**	**373**	**(3,555)**	**22,245**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Deferred tax assets	**25,800**	11,739
Deferred tax liabilities	**(3,555)**	(2,913)
	22,245	8,826

At the end of the reporting period, the Group had unused tax losses of HK$98,488,000 (2009: HK$113,294,000) available for offset against future profits, and other temporary differences of HK$70,523,000 (2009: HK$15,475,000). A deferred tax asset has been recognised in respect of HK$70,523,000 (2009: HK$15,475,000) for other temporary differences. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams for certain subsidiaries.

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21. Deferred Taxation — continued

	THE GROUP	
	2010 **HK$'000**	2009 HK$'000
The tax losses above will expire as follows:		
31 December 2010	**—**	11,537
31 December 2011	**9,494**	9,393
31 December 2012	**9,302**	9,205
31 December 2013	**72,809**	72,043
31 December 2014	**6,883**	11,116
	98,488	113,294

	THE COMPANY			
	Accelerated accounting depreciation HK$'000	**Other temporary differences** HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Total** HK$'000
At 1 January 2009	13,164	344	(2,574)	10,934
Credit (charge) to income statement	(5,114)	4	(1,228)	(6,338)
Withholding tax paid on distributed profits of subsidiaries during the year	—	—	889	889
At 31 December 2009	**8,050**	**348**	**(2,913)**	**5,485**
Credit (charge) to income statement	**312**	**25**	**(2,517)**	**(2,180)**
Withholding tax paid on distributed profits of subsidiaries during the year	**—**	**—**	**1,875**	**1,875**
At 31 December 2010	**8,362**	**373**	**(3,555)**	**5,180**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE COMPANY	
	2010 **HK$'000**	2009 HK$'000
Deferred tax assets	**8,735**	8,398
Deferred tax liabilities	**(3,555)**	(2,913)
	5,180	5,485

The Company has no other significant unrecognised temporary difference at the end of the reporting period.

22. Inventories

During the year, the Directors have considered the market performance and the expected net realisable value of the inventories. As a result, write-down of inventories of HK$1,619,000 (2009: HK$3,340,000) has been recognised and included in "Purchases of goods and changes in inventories" in the current year.

23. 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 reporting date.

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within 30 days	**21,003**	19,443	**8,874**	7,984

The Group's revenue is generated mainly from cash and credit card sales. The average credit period on credit cards sales is 10 days. The balance of trade receivables within due dates mainly represents trade receivables arising from credit card sales. No default of settlement is expected by reference to past experience. Usually, there are no significant overdue debtors at the end of reporting period. Trade receivables on overdue debtors are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, if any.

As at 31 December 2010 and 2009, the Group does not have any trade receivable balance that were past due.

24. Other Assets

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

The amounts due from subsidiaries are trade-related, unsecured and interest free. The amounts are aged within 30 days based on the invoice date at the end of respective reporting periods.

The amounts due from fellow subsidiaries are trade-related, unsecured, interest free and with credit term of 15 to 35 days (2009: 15 to 35 days). The amounts are aged within 35 days based on the invoice date and not yet due at the end of the respective reporting periods.

Bank balances comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.01% to 4.41% (2009: 0.01% to 4.41%) per annum.

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24. Other Assets — continued

The Group's and the Company's bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**12,084**	433	**—**	—
United States dollars	**167,660**	140,156	**167,660**	140,156
Japanese Yen	**593**	50,917	**593**	50,917
Renminbi	**26,454**	7,211	**26,454**	7,211

25. Trade Payables

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
0–60 days	**1,110,217**	1,041,589	**522,085**	608,603
61–90 days	**86,763**	96,983	**6,485**	6,758
Over 90 days	**15,896**	85,547	**15,896**	15,375
	1,212,876	1,224,119	**544,466**	630,736

The average credit period on the purchases of goods is 60 days (2009: 60 days).

26. Bank Borrowings

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Bank loans — unsecured	**46,820**	169,680
Carrying amount repayable*:		
Within one year	**23,410**	124,432
More than one year, but not exceeding three years	**23,410**	45,248
	46,820	169,680
Less: Amount due within one year shown under current liabilities	**(23,410)**	(124,432)
Amount due after one year	**23,410**	45,248

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings are denominated in Renminbi which carry interest at floating rates and are repayable within three years. The average effective interest rate during the year is 6.3% (2009: 4.7%) per annum.

27. Other Financial Liabilities

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

Included in other payables and accrued charges, there is deferred revenue in relation to customer loyalty programmes and monies received from customers in relation to prepaid store-valued cards of HK$7,855,000 (2009: HK$8,459,000) and HK$398,723,000 (2009: HK$306,898,000) respectively.

The amounts due to fellow subsidiaries and ultimate holding company are trade-related, unsecured, interest free and with credit term of 60 to 90 days (2009: 60 to 90 days). The amounts are aged within 60 days based on the invoice date at the end of respective reporting period.

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28. Share Capital

	2010 & 2009 HK$'000
Authorised:	
350,000,000 ordinary shares of HK$0.20 each	**70,000**
Issued and fully paid:	
260,000,000 ordinary shares of HK$0.20 each	**52,000**

29. Share Premium and Reserves

	Share premium HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2009	63,158	11,493	844,753	919,404
Gain on fair value changes of available-for-sale investments recognised directly in equity	—	12,456	—	12,456
Profit for the year	—	—	240,123	240,123
Total comprehensive income for the year	—	12,456	240,123	252,579
Dividends	—	—	(97,500)	(97,500)
At 31 December 2009	63,158	23,949	987,376	1,074,483
Loss on fair value changes of available-for-sale investments recognised directly in equity	**—**	**(1,045)**	**—**	**(1,045)**
Profit for the year	**—**	**—**	**210,526**	**210,526**
Total comprehensive income for the year	**—**	**(1,045)**	**210,526**	**209,481**
Dividends	**—**	**—**	**(116,220)**	**(116,220)**
At 31 December 2010	**63,158**	**22,904**	**1,081,682**	**1,167,744**

30. Capital Commitments

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements				
— in respect of acquisition of property, plant and equipment	**144,343**	7,963	**91,850**	—
— in respect of acquisition of investment property	**292,175**	—	**292,175**	—
	436,518	7,963	**384,025**	—
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**91,850**	200	**91,850**	200

31. Operating Leases

The Group and the Company as lessee:

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases, which fall due as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**552,182**	505,399	**316,930**	270,093
In the second to fifth year inclusive	**2,317,875**	1,466,547	**1,372,566**	533,959
Over five years	**1,966,318**	1,109,402	**1,102,155**	157,460
	4,836,375	3,081,348	**2,791,651**	961,512

In addition to the above, over 90% (2009: over 90%) of the leases of the Group and over 80% (2009: over 80%) of the leases of the Company are subject to contingent rents based on a fixed percentage of the annual gross turnover and receipts in excess of the minimum lease payments.

31. Operating Leases — continued

The Group and the Company as lessee: — continued

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

The Group and the Company as lessor:

At the end of the reporting period, the Group and the Company had contracted with licensees for floor areas in the stores for the following future minimum lease payments under non-cancellable operating leases for each of the following period:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**232,012**	189,545	**109,711**	103,715
In the second to fifth year inclusive	**208,066**	171,855	**28,569**	30,139
Over five years	**8,831**	8,946	**—**	—
	448,909	370,346	**138,280**	133,854

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

32. Pledged Bank Deposits

As at 31 December 2010, the Group's bank deposits of HK$12.1 million (2009: HK$12.5 million) were pledged to banks for guarantee to landlords for rental deposits.

33. Cash-Settled Share-Based Payment Transactions

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

Details of the SARs are as follows:

For the year ended 31 December 2010

				Number of underlying SARs					
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding at 31.12.2010
Directors									
25.9.2009	15.236	1.6.2008 to 31.5.2009	1.6.2009 to 31.5.2015	60,000	—	—	—	(6,000)	54,000
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	60,000	—	—	—	(6,000)	54,000
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	80,000	—	—	—	(8,000)	72,000
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	97,200	—	—	—	(8,400)	88,800
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	97,200	—	—	—	(8,400)	88,800
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	129,600	—	—	—	(11,200)	118,400
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	—	94,200	—	—	—	94,200
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	—	94,200	—	—	—	94,200
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	—	125,600	—	—	—	125,600
Employees									
25.9.2009	15.236	1.6.2008 to 31.5.2009	1.6.2009 to 31.5.2015	4,800	—	—	—	—	4,800
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	4,800	—	—	—	—	4,800
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	6,400	—	—	—	—	6,400
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	10,200	—	—	—	—	10,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	10,200	—	—	—	—	10,200
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	13,600	—	—	—	—	13,600
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	—	12,000	—	—	—	12,000
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	—	12,000	—	—	—	12,000
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	—	16,000	—	—	—	16,000
				574,000	354,000	—	—	(48,000)	880,000

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33. Cash-Settled Share-Based Payment Transactions — continued

For the year ended 31 December 2009

				Number of underlying SARs				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1.1.2009	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2009
Directors								
25.9.2009	15.236	1.6.2008 to 31.5.2009	25.9.2009 to 31.5.2015	—	60,000	—	—	60,000
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	—	60,000	—	—	60,000
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	—	80,000	—	—	80,000
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	—	97,200	—	—	97,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	—	97,200	—	—	97,200
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	—	129,600	—	—	129,600
Employees								
25.9.2009	15.236	1.6.2008 to 31.5.2009	25.9.2009 to 31.5.2015	—	4,800	—	—	4,800
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	—	4,800	—	—	4,800
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	—	6,400	—	—	6,400
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	—	10,200	—	—	10,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	—	10,200	—	—	10,200
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	—	13,600	—	—	13,600
				—	574,000	—	—	574,000

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

- Risk free interest rate based on the Hong Kong government bond with maturity matches with the contractual term of the SARs
- Expected volatility based on the historical share price movement of the Company over the period that consistent with the remaining contractual life of the SARs
- Dividend yield 2.5% to 3% as referenced to the past dividend yields
- Number of steps 100 nodes
- Exercise multiple 2.2 times

At 31 December 2010, the Group has recorded liabilities of HK$2,874,000 (31 December 2009: HK$1,810,000), which is included in other payables and accrued charges. At 31 December 2010, the total intrinsic value of the vested SARs was HK$316,000 (2009: Nil).

34. Retirement Benefits Schemes

The Company participates in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year amounting to HK$9,191,000 (2009: HK$8,700,000) are charged to the consolidated income statement for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the MPF Scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions amounting to HK$4,997,000 (2009: HK$5,302,000) charged to the consolidated income statement represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. Contributions paid or payable for these retirement benefits schemes for the year are HK$30,908,000 (2009: HK$30,526,000).

35. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt, which includes the bank borrowings as disclosed in note 26, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earning.

The Directors of the Company review the capital structure on a regular basis. As a part of this review, the Directors consider the cost of capital and the risks associated with the issued share capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

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36. Financial Instruments

(a) Categories of financial instruments

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Loans and receivables (including cash and cash equivalents)	**2,412,014**	2,224,002
Available-for-sale financial assets	**26,836**	27,881
Financial liabilities at amortised cost	**1,749,461**	1,859,725

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Loans and receivables (including cash and cash equivalents)	**1,246,307**	1,230,760
Available-for-sale financial assets	**26,836**	27,881
Financial liabilities at amortised cost	**850,929**	892,109

(b) Financial risk management objectives and policies

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these risk exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Directors monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

36. Financial Instruments — continued

(b) Financial risk management objectives and policies — continued

The Group's audit committee overseas how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks in 2010.

(c) Foreign currency risk management

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

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
THE GROUP				
Hong Kong dollars	**12,084**	433	**—**	—
United States dollars	**284,778**	334,258	**3,903**	4,527
Japanese Yen	**593**	50,719	**23,095**	22,125
Renminbi	**26,454**	7,211	**—**	—

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
THE COMPANY				
United States dollars	**284,778**	334,258	**3,903**	4,527
Japanese Yen	**593**	50,719	**23,095**	22,125
Renminbi	**26,454**	7,211	**—**	—

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36. Financial Instruments — continued

(c) Foreign currency risk management — continued

Foreign currency sensitivity

The following table indicates the approximate change in the Group's and Company's profit for the year in response to reasonably possible changes in the foreign exchange rates to which the Group and Company have significant exposure at the end of the reporting periods.

	2010		2009	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in profit before tax**	Increase (decrease) in foreign exchange rates	Increase (decrease) in profit before tax
	%	**HK$'000**	%	HK$'000
THE GROUP				
Hong Kong dollars	**1%**	**121**	1%	4
	(1%)	**(121)**	(1%)	(4)
United States dollars	**1%**	**2,809**	1%	3,297
	(1%)	**(2,809)**	(1%)	(3,297)
Japanese Yen	**10%**	**(2,250)**	10%	2,859
	(10%)	**2,250**	(10%)	(2,859)
Renminbi	**10%**	**2,645**	10%	721
	(10%)	**(2,645)**	(10%)	(721)

	2010		2009	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in profit before tax**	Increase (decrease) in foreign exchange rates	Increase (decrease) in profit before tax
	%	**HK$'000**	%	HK$'000
THE COMPANY				
United States dollars	**1%**	**2,809**	1%	3,297
	(1%)	**(2,809)**	(1%)	(3,297)
Japanese Yen	**10%**	**(2,250)**	10%	2,859
	(10%)	**2,250**	(10%)	(2,859)
Renminbi	**10%**	**2,645**	10%	721
	(10%)	**(2,645)**	(10%)	(721)

36. Financial Instruments — continued

(c) Foreign currency risk management — continued

Foreign currency sensitivity — continued

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2009.

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed interest rate long term time deposits (note 20).

The Group is exposed to cash flow interest rate risk as its bank balances and bank borrowings are subject to floating interest rate. All bank borrowings bear interests at floating rates and will mature within two years (2009: within three years). The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

The Group's exposures to interest rates and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

Sensitivity analysis on bank balances is not presented as the management considers that the Group's exposure to interest rate fluctuation is insignificant.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. 20 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2010 would decrease/increase by HK$936,000 (2009: decrease/increase by HK$3,394,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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36. Financial Instruments — continued

(d) Interest rate risk management — continued

Interest rate sensitivity — continued

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the year end exposure does not reflect the exposure during the year.

(e) Other price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The measure of price sensitivity is based on the actual observed historical changes of one-year interval to estimate the 1-day historical volatility. The use of a 1-day holding period assumes that the positions can be unwound in one trading day. If the equity price of the available-for-sale investments had been 8% (2009: 8%) higher/lower while all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$234,000 (2009: increase/decrease by HK$276,000) for the Group, principally as a result of the changes in fair value of available-for-sale shares.

(f) Credit risk management

The credit risk represents the trade receivables and amount due from fellow subsidiaries. Credit risk for the trade receivable is limited as the Group's revenue is generated mainly from cash and credit card sales. Where transactions are conducted other than on a cash basis, the Group practices stringent credit review.

The credit term for the amount due from fellow subsidiaries are made in accordance with the relevant agreements and there are no significant overdue debts as at the end of the reporting period.

The Group has no significant concentrations of credit risk and trade receivables represent mainly credit card receivable from individual owned stores.

The credit risk on callable and bank deposits is less because the Directors consider that the counterparties are financially sound.

36. Financial Instruments — continued

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, working capital and banking facilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

	Weighted average effective interest rate	6 months or less	6–12 months	1–2 years	2–5 years	Total undiscounted cash flows amount	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Non-interest bearing	**—**	**1,569,196**	**77,699**	**55,746**	**—**	**1,702,641**	**1,702,641**
Variable interest rate instruments	**6.2**	**13,149**	**12,788**	**24,854**	**—**	**50,791**	**46,820**
		1,582,345	**90,487**	**80,600**	**—**	**1,753,432**	**1,749,461**
2009							
Non-interest bearing	—	1,599,186	64,457	26,402	—	1,690,045	1,690,045
Variable interest rate instruments	4.7	115,816	12,824	24,273	23,174	176,087	169,680
		1,715,002	77,281	50,675	23,174	1,866,132	1,859,725

36. Financial Instruments — continued

(g) Liquidity risk management — continued

The Company

	6 months or less HK$'000	6–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2010						
Non-interest bearing	**838,958**	**11,971**	**—**	**—**	**850,929**	**850,929**
2009						
Non-interest bearing	875,069	17,040	—	—	892,109	892,109

(h) Fair value of financial instruments

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Financial Instruments — continued

Fair value measurements recognised in the statement of financial position — continued

	2010			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale financial assets				
Listed equity securities	**24,596**	**—**	**—**	**24,596**
Unlisted club debenture	**—**	**2,240**	**—**	**2,240**
Total	**24,596**	**2,240**	**—**	**26,836**

	2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets				
Listed equity securities	25,731	—	—	25,731
Unlisted club debenture	—	2,150	—	2,150
Total	25,731	2,150	—	27,881

There were no transfers between Level 1 and 2 in the current and last year.

37. Deposit Paid for Acquisition of Investment Property

During the current year, the Company has entered into a sale and purchase agreement with an independent third party to acquire a property at the purchase price of HK$310 million.

As at 31 December 2010, a deposit of HK$31 million has been paid for the acquisition of the property and the acquisition has been completed subsequent to reporting period. The property will be held under operating leases to earn rentals and accounted for as an investment property.

Based on the valuation carried out by independent qualified professional valuer not connected with the Group, the fair value of the property at the end of the reporting period approximates to HK$340 million. The valuation was arrived by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. Related Party Transactions

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

Capacity	Nature of transaction	THE GROUP 2010 HK$'000	THE GROUP 2009 HK$'000	THE COMPANY 2010 HK$'000	THE COMPANY 2009 HK$'000
Fellow subsidiaries	Franchise fee, consumable expenses and purchase of machines	**1,201**	3,684	**1,201**	3,684
	Dividend income	**1,211**	1,211	**1,211**	1,211
	Interest income	**—**	65	**—**	65
	Commission for credit facilities provided to the customers	**10,551**	10,713	**10,551**	10,713
	Purchase of goods	**152,331**	152,380	**115,956**	126,195
	Rental income	**7,791**	8,082	**7,305**	7,377
	Outsourcing service fee	**4,987**	3,045	**—**	—
	Other income	**463**	364	**305**	165
	Service fee income	**1,380**	—	**—**	—
	Reimbursement income of administrative expenses	**4,683**	—	**—**	—
	Recharge of administrative expenses	**1,818**	—	**—**	—
	Other expenses	**118**	—	**—**	—
Subsidiaries	Royalty income	**—**	—	**17,356**	28,049
	Management fee income	**—**	—	**3,959**	3,494
	Dividend income	**—**	—	**19,560**	17,744
	Supply chain management service fee	**—**	—	**1,049**	—
Ultimate holding company	Royalty expenses	**35,883**	34,475	**35,883**	34,475
Non-controlling shareholders of the subsidiaries	Rental expenses, management fees and utility expenses	**48,589**	49,962	**—**	—
	Advertising expenses	**2,655**	1,108	**—**	—
Related company (Note)	Purchase of goods	**84**	414	**84**	414
	Interest income	**—**	5	**—**	5
	Other income	**—**	10	**—**	10

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

38. Related Party Transactions — continued

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

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Amounts due from minority shareholders of the subsidiaries	**5,778**	5,621

Compensation of key management personnel

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

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

FINANCIAL SUMMARY

The Group

	For the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
RESULTS					
Revenue	4,286,477	4,759,403	5,373,626	5,897,909	**6,106,485**
Profit before tax	208,922	375,985	378,979	267,424	**401,577**
Income tax expense	(52,217)	(75,369)	(74,528)	(72,253)	**(81,547)**
Profit for the year	156,705	300,616	304,451	195,171	**320,030**

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,456,711	2,732,449	3,166,944	3,562,337	**3,840,291**
Total liabilities	(1,662,198)	(1,743,937)	(2,012,649)	(2,308,247)	**(2,384,099)**
	794,513	988,512	1,154,295	1,254,090	**1,456,192**
Equity attributable to:					
Equity holders of the Company	745,424	916,963	1,061,920	1,143,463	**1,310,665**
Non-controlling interests	49,089	71,549	92,375	110,627	**145,527**
	794,513	988,512	1,154,295	1,254,090	**1,456,192**