AEON STORES (HONG KONG) CO., LIMITED
永旺(香港)百貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 984)

2011 INTERIM RESULTS

The Board of Directors (the "Board") of AEON Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group" or "AEON") for the 6 months ended 30 June 2011 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	**Six months ended**	
		30.6.2011	30.6.2010
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Revenue	3	**3,243,675**	3,062,679
Other income		**241,423**	222,932
Investment income		**12,856**	11,078
Purchase of goods and changes in inventories		**(2,189,201)**	(2,096,664)
Staff costs		**(333,213)**	(298,978)
Depreciation		**(63,718)**	(60,130)
Gain on fair value change of an investment property		**86,264**	--
Loss on disposal of property, plant and equipment		**(280)**	(206)
Impairment loss recognised in respect of property, plant and equipment		**--**	(9,525)
Pre-operating expenses		**(4,799)**	(4,215)
Other expenses		**(683,402)**	(651,248)
Finance costs		**(1,289)**	(3,351)
Profit before tax		**308,316**	172,372
Income tax expense	4	**(61,759)**	(37,987)
Profit for the period		**246,557**	134,385
Profit for the period attributable to:			
Owners of the Company		**218,893**	114,848
Non-controlling interests		**27,664**	19,537
		246,557	134,385
Earnings per share	6	**84.19 HK cents**	44.17 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**246,557**	134,385
Other comprehensive income		
Fair value loss on available-for-sale investments	**(783)**	(1,817)
Exchange differences arising on translation of foreign operations	**9,519**	2,247
Other comprehensive income for the period	**8,736**	430
Total comprehensive income for the period	**255,293**	134,815
Total comprehensive income attributable to:		
Owners of the Company	**223,961**	114,122
Non-controlling interests	**31,332**	20,693
	255,293	134,815

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	NOTES	**30.6.2011**	31.12.2010
		HK$'000	HK$'000
		(unaudited)	(audited)
Non-current Assets			
Goodwill		**94,838**	94,838
Investment property		**410,000**	--
Property, plant and equipment		**492,748**	494,847
Available-for-sale investments		**26,053**	26,836
Long term time deposit		**--**	117,118
Deferred tax assets		**22,000**	25,800
Rental deposits		**124,595**	109,086
Deposit paid for acquisition of investment property		**--**	31,000
Pledged bank deposits		**36,790**	--
		1,207,024	899,525
Current Assets			
Inventories		**504,536**	585,117
Trade receivables	7	**13,807**	21,003
Other receivables, prepayments and deposits		**150,829**	63,163
Amounts due from fellow subsidiaries		**64,827**	90,957
Short term time deposit		**116,867**	--
Pledged bank deposits		**23,953**	12,143
Bank balances and cash		**1,771,038**	2,168,383
		2,645,857	2,940,766
Current Liabilities			
Trade payables	8	**1,041,947**	1,212,876
Other payables and accrued charges		**926,597**	929,562
Amounts due to fellow subsidiaries		**35,372**	45,303
Amount due to ultimate holding company		**58,683**	39,422
Bank borrowings		**23,953**	23,410
Income tax payable		**33,828**	34,540
Dividend payable		**916**	614
		2,121,296	2,285,727
Net Current Assets		**524,561**	655,039
Total Assets Less Current Liabilities		**1,731,585**	1,554,564
Capital and Reserves			
Share capital		**52,000**	52,000
Share premium and reserves		**1,400,466**	1,258,665
Equity attributable to owners of the Company		**1,452,466**	1,310,665
Non-controlling interests		**176,859**	145,527
Total Equity		**1,629,325**	1,456,192
Non-current Liabilities			
Rental deposits received		**78,348**	71,407
Deferred tax liabilities		**11,935**	3,555
Bank borrowings		**11,977**	23,410
		102,260	98,372
		1,731,585	1,554,564

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group has acquired an investment property during the period. The respective accounting policy is as follows:

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

In the current interim period, the Group has applied, for the first time, the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair value measurement[2]

[1] Effective for annual periods beginning on or after 1 January 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012, with earlier application permitted. The Directors of the Company consider the application of the amendments will have no material financial impact to the Group as the presumption is rebutted. If the presumption is not rebutted, based on the balances at 30 June 2011, the application of the amendments would result in the Group's income tax expense being reduced by HK$14 million and profit for the six months ended 30 June 2011 being increased by HK$14 million.

The Directors of the Company are in the process of assessing the potential impact of the other new or revised standards and so far anticipate that the application of these new or revised standards will have no material financial impact on the results and the financial position of the Group other than as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
Direct sales	**2,796,446**	2,647,191
Income from concessionaire sales	**447,229**	415,488
Revenue	**3,243,675**	3,062,679

For the six months ended 30 June 2011

	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue - external	**1,482,825**	**1,760,850**	**3,243,675**
Segment profit	**96,598**	**105,358**	**201,956**
Gain on fair value change of an investment property			**86,264**
Rental income on an investment property			**8,529**
Investment income			**12,856**
Finance costs			**(1,289)**
Profit before tax			**308,316**

For the six months ended 30 June 2010

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

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

4. INCOME TAX EXPENSE

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
The charge comprises:		
Current tax		
Hong Kong	**18,200**	19,400
Other regions in the PRC	**30,592**	18,861
	48,792	38,261
Under(over)provision in prior years		
Hong Kong	**--**	--
Other regions in the PRC	**119**	(3,752)
	119	(3,752)
Deferred tax		
Current year	**12,848**	3,478
Income tax expense for the period	**61,759**	37,987

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

The PRC income tax is calculated at 25% (six months ended 30.6.2010: 22% or 25%) of the estimated assessable profits of the subsidiaries.

During the period, the Group has recognised a deferred tax liability of HK$14 million which attributable to the temporary differences arising from the gain on changes in fair value of investment property.

Deferred tax for both periods also attributable to the temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment, provision for staff costs and the withholding tax at applicable tax rate of the undistributed earnings of subsidiaries.

No withholding tax has been paid as there was no distributed profits of subsidiaries for both periods.

5. DIVIDENDS

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
Dividend recognised as distribution during the period:		
Final dividend for 2010 of 31.6 HK cents (2010: 22.6 HK cents for 2009 final dividend) per ordinary share	**82,160**	58,760

The Board of Directors has recommended an interim dividend of 25.5 HK cents (six months ended 30.6.2010: 22.1 HK cents) per share amounting to HK$66,300,000 (six months ended 30.6.2010: HK$57,460,000), be paid to the shareholders of the Company whose names appear on the Register of Members on 13 October 2011. The interim dividend will be paid on or before 28 October 2011.

6. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the Group's profit for the period attributable to the owners of the Company of HK$218,893,000 (six months ended 30.6.2010: HK$114,848,000) and on 260,000,000 (six months ended 30.6.2010: 260,000,000) ordinary shares in issue during the period.

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

7. TRADE RECEIVABLES

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

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

	30.6.2011	31.12.2010
	HK$'000	HK$'000
Within 30 days	**13,120**	21,003
31 - 60 days	**687**	--
	13,807	21,003

8. TRADE PAYABLES

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

	30.6.2011	31.12.2010
	HK$'000	HK$'000
0 – 60 days	**923,423**	1,110,217
61 – 90 days	**85,259**	86,763
Over 90 days	**33,265**	15,896
	1,041,947	1,212,876

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 October 2011 to 13 October 2011 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, at 26 Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 October 2011.

BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded revenue of HK$3,243.7 million (2010: HK$3,062.7 million), representing a year-on-year growth of 5.9%. Even though revenue from the Hong Kong segment receded due to closure of two stores in 2010, strong growth from the PRC segment helped sustain and further drive overall revenue growth. Gross profit margin rose to 32.5% from 31.5% recorded in the last corresponding period owing to an improved merchandise mix and no store removal sales held during the review period. In the first half year, driven by improved operations in the PRC and a fair value gain from an investment property in Hong Kong, profit attributable to shareholders surged by 90.6% to HK$218.9 million (2010: HK$114.8 million). Excluding the fair value gain from the investment property, profit would still have achieved growth of 15.5% to HK$132.6 million.

During the first six months of 2011, Hong Kong's economy remained robust and consumer sentiment stayed positive. Consequently, despite the closure of two stores in 2010, revenue from the Group's Hong Kong operations only decreased by 11.9% from HK$1,682.7 million in the last corresponding period to HK$1,482.8 million. Segment profit only dropped by 1.6% from HK$98.2 million in the last corresponding period to HK$96.6 million.

During the period, the Group opened one new store in Tsim Sha Tsui, Hong Kong in June. Occupying an area of approximately 26,000 sq. ft., the store targets customers seeking quality living and a trendy lifestyle. Apart from carrying the best and specially sourced food, fresh produce, and merchandise from different countries, it has also introduced many licensed franchisees, including Okinawa Route 58, Star Chefs Selection and AMIKO Gelato, which all made their debut in Hong Kong. The Group further opened one more store at the Tsing Yi MTR Station, which is connected to Maritime Square – one of the busiest MTR stations along the Tung Chung Line – and have benefited from strong pedestrian flow. As at the end of the review period, the Group had 34 stores operating in densely populated residential and commercial districts of Hong Kong.

In spite of relatively slower economic growth than in the preceding year, the Chinese economy continued to expand at an impressive rate during the first six months of 2011. With two new stores in Guangzhou and Dongguan contributing revenue since commencing operations in late 2010, combined with continuously rising revenue contributions from existing stores, the PRC operations recorded revenue of HK$1,760.9 million, up by 27.6% when compared with HK$1,380.0 million in the last corresponding period. In addition, benefiting from improving operational performance of the stores, segment profit jumped by 58.6% to HK$105.4 million, up from HK$66.4 million reported in the last corresponding period. As at 30 June 2011, the Group operated a total of 18 stores in south China.

During the review period, the ratio of staff cost to revenue rose from 9.8% to 10.3%, which was mainly due to the closure of two stores in Hong Kong in 2010 while retaining all of the staff from the affected stores. This ratio is expected to improve once more new stores are opened. The ratio of rental cost to revenue declined from 10.4% to 9.9%.

The Group maintained a stable net cash position with cash and bank balances of HK$1,771 million as at 30 June 2011 (31 December 2010: HK$2,168 million) and bank borrowings of HK$36 million (31 December 2010: HK$47 million). The borrowings were denominated in Renminbi, bearing interest calculated with reference to the People's Bank of China lending rate. As the Group has a low gearing level, it has sufficient financial resources to fund future expansion efforts.

The Group's bank deposits of HK$61 million (31 December 2010: HK$12 million) were pledged to banks as guarantee for banking facilities, as well as guarantee to landlords for rental deposits.

Capital expenditure for the period, amounting to HK$377 million, was used for acquiring investment properties, opening new stores and renovation of an existing store. The Group will continue to finance capital expenditures with internal resources and short-term borrowings.

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

Prospects

Hong Kong Operations

Looking ahead, the local economy is expected to remain healthy. However, with uncertainties hovering over the global economy and other factors such as inflationary pressure drawing greater concern, the Group foresees consumers becoming more cautious with their spending in the second half year. Consequently, the management is prudently optimistic about the Group's prospects in Hong Kong in the near future.

To further leverage emerging business opportunities and extend the Group's reach within local communities, the management has charted an expansion roadmap for the coming 18 months. Apart from opening its second largest store in Hong Kong in Cheung Sha Wan by November 2011, three more stores will be opened in Ho Man Tin, Tsz Wan Shan and Kwai Chung by end of the year. In addition, two more stores are set for opening in Tsuen Wan – one will open by mid-2012 and the other by the end of 2012, while an additional store will also be opened in Kowloon City during that time. The Group is planning to open one more new store in Causeway Bay by mid-2012 to capture opportunities from the growing affluent consumer segment seeking quality living and a trendy lifestyle in the district. Moreover, encouraged by the performance of the store at Tsing Yi MTR Station, the Group will consider opening new stores at MTR stations when appropriate.

On a separate note, the Group will rename all of its "JUSCO $10 PLAZA" stores to "JUSCO Living PLAZA" during the fourth quarter of this year and enrich the merchandise mix to better cater for customers' needs.

PRC Operations

Domestic consumption in China is expected to surge ahead, propelled by strong economic growth and an increase in the individual income tax allowance. This has filled management with optimism toward the outlook of the retail market in south China. In order to strengthen its foothold and tap tremendous opportunities that are arising, the Group will seek to open six new stores in Guangzhou in the coming 18 months, where consumers are enjoying a steep rise in disposable income and where the AEON and JUSCO brands are well established and received. There are other projects in the pipeline that help accelerate the Group's retail network expansion in south China, and the Group will make further announcement in due course.

HUMAN RESOURCES

As at 30 June 2011, the Group had approximately 6,900 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 intends to continue to place efforts at enhancing the quality and skills of its staff. Concurrently, it strives to create an environment where employees can grow and enjoy a sense of camaraderie as well as loyalty to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board of the Company has complied throughout the six months ended 30 June 2011 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2011 with management.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2011 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

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

Hong Kong, 24 August 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine and Mr. Yuji Yoneta; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Akio Yoshida and Mr. Takashi Komatsu; and the independent non-executive Directors are Prof. Lam Pei Peggy, Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna and Dr. Shao Kung Chuen.