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 ANNUAL RESULTS

The Board of Directors (the "Board") of AEON Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group" or "AEON") for the year ended 31 December 2011 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	3	**6,686,387**	6,106,485
Other income		**514,237**	446,030
Investment income		**30,774**	21,474
Purchase of goods and changes in inventories		**(4,442,635)**	(4,074,759)
Staff costs		**(705,518)**	(638,235)
Depreciation		**(132,005)**	(118,958)
Gain on fair value change of an investment property		**86,264**	--
Loss on disposal of property, plant and equipment		**(291)**	(733)
Impairment loss recognized in respect of property, plant and equipment		**--**	(12,490)
Pre-operating expenses		**(27,215)**	(12,617)
Other expenses		**(1,437,872)**	(1,308,768)
Finance costs		**(2,264)**	(5,852)
Profit before tax		**569,862**	401,577
Income tax expense	4	**(115,457)**	(81,547)
Profit for the year		**454,405**	320,030
Profit for the year attributable to:			
Owners of the Company		**405,918**	279,218
Non-controlling interests		**48,487**	40,812
		454,405	320,030
Earnings per share	6	**156.12 HK cents**	107.39 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**454,405**	320,030
Other comprehensive income		
Fair value loss on available-for-sale investments	**(3,166)**	(1,045)
Exchange differences arising on translation of foreign operations	**22,055**	9,869
Other comprehensive income for the year, net of income tax	**18,889**	8,824
Total comprehensive income for the year	**473,294**	328,854
Total comprehensive income attributable to:		
Owners of the Company	**416,572**	283,422
Non-controlling interests	**56,722**	45,432
	473,294	328,854

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	NOTES	**31.12.2011**	31.12.2010
		HK$'000	HK$'000
Non-current Assets			
Goodwill		**94,838**	94,838
Property, plant and equipment		**607,773**	494,847
Investment property		**410,000**	--
Available-for-sale investments		**23,670**	26,836
Long term time deposit		--	117,118
Deferred tax assets		**30,092**	25,800
Rental deposits		**132,440**	109,086
Deposits paid for acquisition of investment property		--	31,000
Pledged bank deposits		**25,196**	--
		1,324,009	899,525
Current Assets			
Inventories		**699,962**	585,117
Trade receivables	7	**33,403**	21,003
Other receivables, prepayments and deposits		**144,552**	63,163
Amounts due from fellow subsidiaries		**116,986**	90,957
Short term time deposit		**116,730**	--
Pledged bank deposits		**25,800**	12,143
Bank balances and cash		**2,178,184**	2,168,383
		3,315,617	2,940,766
Current Liabilities			
Trade payables	8	**1,400,591**	1,212,876
Other payables and accrued charges		**1,203,668**	929,562
Amounts due to fellow subsidiaries		**56,532**	45,303
Amount due to ultimate holding company		**41,440**	39,422
Bank borrowings		**24,571**	23,410
Income tax payable		**27,991**	34,540
Dividend payable		**770**	614
		2,755,563	2,285,727
Net Current Assets		**560,054**	655,039
Total Assets Less Current Liabilities		**1,884,063**	1,554,564
Capital and Reserves			
Share capital		**52,000**	52,000
Share premium and reserves		**1,526,777**	1,258,665
Equity attributable to owners of the Company		**1,578,777**	1,310,665
Non-controlling interests		**183,949**	145,527
Total Equity		**1,762,726**	1,456,192
Non-current Liabilities			
Rental deposits received and other liabilities		**105,541**	71,407
Deferred tax liabilities		**15,796**	3,555
Bank borrowings		--	23,410
		121,337	98,372
		1,884,063	1,554,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendment and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 12	Deferred tax : Recovery of Underlying Assets
Amendments to HKAS 32	Classification of Right Issues
Amendments to HK(IFRIC) - INT 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - INT 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of these new and revised HKFRSs in the current year has had no material impact on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, an investment property that are measured using the fair value model in accordance with HKAS 40 Investment Property is presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

The Group measure any deferred tax liability in respect of its investment property with reference to the tax liability that would arise if the property were disposed of at their carrying amount at the end of the reporting period. As a result, the Group's investment property that is acquired during the year and measured using the fair value model has been presumed to be recovered through sale for the purpose of measuring deferred taxes in respect of such property. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$14,233,000 as at 31 December 2011. In addition, the application has resulted in the Group's income tax expense for the year being decreased by HK$14,233,000, resulting in an increase in the Group's basic and diluted earnings per share by 5.47 HK cents for the year. The application of the amendments to HKAS 12 has had no impact on the reported profit or loss for prior years.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS9 and Amendments to HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
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]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) - INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

The Directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	2011 **HK$'000**	2010 HK$'000
Direct sales	**5,766,163**	5,258,915
Income from concessionaire sales	**920,224**	847,570
Revenue	**6,686,387**	6,106,485

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

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 2011

	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue - external	**3,071,373**	**3,615,014**	**6,686,387**
Segment profit	**233,764**	**203,164**	**436,928**
Gain on fair value change of an investment property			**86,264**
Rental income from an investment property			**18,160**
Investment income			**30,774**
Finance costs			**(2,264)**
Profit before tax			**569,862**

For the year ended 31 December 2010

	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
Segment revenue - external	3,189,823	2,916,662	6,106,485
Segment profit	232,260	153,695	385,955
Investment income			21,474
Finance costs			(5,852)
Profit before tax			401,577

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of gain on fair value change of an investment property, rental income from an investment property, investment 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

	2011	2010
	HK$'000	HK$'000
The charges comprise:		
Current tax:		
Hong Kong	**41,595**	40,087
Other regions in the PRC	**61,244**	52,168
	102,839	92,255
(Over)underprovision in prior years		
Hong Kong	**(1,095)**	(157)
Other regions in the PRC	**4,065**	2,868
	2,970	2,711
	105,809	94,966
Deferred tax:		
Current year	**9,648**	(13,419)
Income tax expense for the year	**115,457**	81,547

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

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

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

5. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Final dividend paid for 2010 of 31.6 HK cents (2010: 22.6 HK cents for 2009) per ordinary share	**82,160**	58,760
Interim dividend paid for 2011 of 25.5 HK cents (2010: 22.1 HK cents for 2010) per ordinary share	**66,300**	57,460
	148,460	116,220

The Board of Directors has recommended a final dividend of 35.9 HK cents per share (2010: 31.6 HK cents) to be paid on or before 20 June 2012, subject to shareholders' approval at the forthcoming annual general meeting on 25 May 2012.

6. 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$405,918,000 (2010: HK$279,218,000) and on 260,000,000 (2010: 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.

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 reporting date.

	31.12.2011	31.12.2010
	HK$'000	HK$'000
Within 30 days	**33,403**	21,003

8. TRADE PAYABLES

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

	31.12.2011	31.12.2010
	HK$'000	HK$'000
0 - 60 days	**1,296,799**	1,110,217
61 - 90 days	**64,720**	86,763
Over 90 days	**39,072**	15,896
	1,400,591	1,212,876

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 May 2012 to 25 May 2012 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the the entitlement to attend and vote at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company’s Share Registrar, Tricor Secretaries Limited, at 26 Floor Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 May 2012.

The Register of Members of the Company will be closed from 1 June 2012 to 4 June 2012 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the final dividend to be approved at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company’s Share Registrar, Tricor Secretaries Limited, at 26 Floor Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31 May 2012.

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL REVIEW

While the uncertainties of the European debt crises cast a shadow over the economy of Hong Kong and the PRC during the period under review, the consumption sentiment, especially in the PRC, remained strong. The Group continued to achieve growth with revenue increasing 9.5% to HK$6,686.4 million from HK$6,106.5 million last year, mainly attributed to the strong expansion of the PRC segment. Gross profit slightly improved from 33.3% to 33.6% mainly because last year's performance was affected by promotional sales resulting from store closures. Profit from the operations of core business thus rose 13.2% from HK$386.0 million in 2010 to HK$436.9 million. Profit attributable to shareholders rose by 45.4% to HK$405.9 million (2010: HK$279.2 million) further driven by the change in the fair value of an investment property in Hong Kong of HK$86.3 million,.

During the period under review, the ratio of staff cost to revenue increased slightly from 10.5% to 10.6%, mainly due to the retention of manpower during the year despite the closure of stores in 2010. This ratio is expected to improve when more new stores are opened. The ratio of rental cost to revenue has dropped from 10.2% to 9.9% as the Group enjoys relatively favourable and stable rental terms.

As at 31 December 2011, the Group maintained a strong net cash position with a cash and bank balance of HK$2,178 million (2010: HK$2,168 million). Bank borrowings were further reduced to HK$25 million from HK$47 million due to ongoing repayment of debt. 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.

As at 31 December 2011, deposits of HK$26 million (2010: nil) and HK$25 million (2010: HK$12 million) were pledged as guarantees to banks for banking facilities and to landlords for rental deposits.

During the review period, capital expenditure for acquiring an investment property was HK$324 million. The property was acquired for setting up the Group's new headquarters and centralised distribution and food processing centre in 2013. Other capital expenditures mainly for new stores opening in Hong Kong and the PRC, amounted to HK$228 million. The Group intended to finance future capital expenditure by internal resources and short-term borrowings.

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

BUSINESS REVIEW

Hong Kong Operations

Hong Kong's economy demonstrated strong growth during the first half of the year in 2011, but consumers become more cautious with their spending during the second half because of the European debt crisis. Despite the weaker market sentiment and the closure of two stores in 2010, revenue from Hong Kong operations only decreased by 3.7% to HK$3,071.4 million (2010: HK$3,189.8 million), benefitting from the "Scheme $6,000" launched by the Hong Kong Government paying each permanent identity card holder HK$6,000 together with an encouraging sales performance during the festive seasons. With an enhanced operational efficiency, segment profit grew to HK$233.8 million from HK$232.3 million last year.

During the year, the Group embarked on a few strategic initiatives. A new store in Tsim Sha Tsui, Hong Kong, was opened to tap potential of the affluent population as well as tourists. The new business model has a unique brand image targeting customers seeking quality living and a trendy lifestyle. Meanwhile, the Group opened its first Kowloon flagship store, its second largest store in Hong Kong, at Lai Chi Kok in December 2011. Supplemented by a well developed transportation network, the new store offers diversified choices to customers at reasonable prices and provides a convenient, enjoyable one-stop shopping experience for customers in both Kowloon and the New Territories. The flagship store has been delivering an encouraging performance since its operation. Furthermore, the Group opened its first-ever store at an MTR station. Located at Tsing Yi MTR Station and connected to Maritime Square – one of the busiest MTR stations along the Tung Chung Line – the new store enjoys strong pedestrian flow. The Group also renamed all of its "JUSCO $10 PLAZA" shops to "JUSCO Living PLAZA" in October 2011 to unify brand image and to reflect an enriched merchandise mix to better cater for customers' needs.

As at 31 December 2011, the Group had 38 stores in densely populated residential and commercial districts in Hong Kong.

PRC Operations

While the global market has been adversely affected by the outbreak of the financial crisis among European countries, the PRC economy continued to achieve stable growth, providing a positive environment for the Group's operations in the PRC. As in Hong Kong, PRC consumer sentiment has been relatively weakened in the second half of 2011 brought about by the inflation in the PRC. Nonetheless, during the year, PRC operations reached a revenue of HK$3,615.0 million, increasing 23.9% from HK$2,916.7 million in 2010, mainly due to the satisfactory performance of existing stores and full year contributions from stores opened during 2010. Thanks to enhanced operational efficiency and economies of scale, segment profit rose by 32.2% from HK$153.7 million to HK$203.2 million. During the year under review, the Group opened two stores in Guangzhou in September and December respectively.

As at 31 December 2011, the Group operated 20 stores in south China.

Prospects

Hong Kong Operations

Looking ahead, the local economy is expected to be inevitably affected by the uncertainties in the global economic condition, leading to conservative consumer sentiment in the territory. Inflationary pressure is also increasing. Despite the challenges ahead, the Group believes there are opportunities that may arise, in particular, the increase in rental is likely to slow down. With a strong cash position, the Group can secure better locations and leasing terms for new stores, which can effectively accelerate the business expansion. Therefore, the Group remains cautiously optimistic about its prospects in Hong Kong.

Short-term market fluctuations should not affect the Group's long-term development, and the Group will continue its expansion roadmap by opening another three stores in Tsuen Wan, Kowloon City and Causeway Bay in the coming year. In addition, the Tuen Mun store is to undergo renovation to enhance the store image. More outlets are expected to be open when suitable locations are identified. The capital expenditure involved is around HK$213 million.

PRC Operations

The PRC is expected to remain one of the fastest growing economies and consumption markets in the world. The retail market in southern China should continue to expand, supported by the strong economic growth and Government policy directed at increasing personal disposable income and stimulating domestic consumption. The Group thus maintains a positive outlook towards its PRC operations.

Encouraged by support from local consumers and property developers planning to introduce quality retailers into their residential or commercial property projects, in the coming year, the Group will speed up its penetration in the PRC by opening 10 new stores in south China, as well as evaluate expanding the business beyond Guangdong Province. The capital expenditure for new store openings and store renovation is around HK$300 million. The Group is also aware of some potential challenges such as inflationary pressures and rising labour costs, and it will monitor the condition closely and implement measures to address these issues should they arise.

HUMAN RESOURCES

As at 31 December 2011, the Group had approximately 7,600 full-time and 1,100 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board of the Company has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company has complied throughout the year with the Code.

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 year.

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2011 with management.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 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
LAM Man Tin
Managing Director

Hong Kong, 16 March 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine, Ms. Chan Suk Jing Janet and Mr. Junichi Suzuki; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji 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.