



AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

# 2012 Interim Report

Stock Code: 984



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

CHAN Pui Man Christine (*Managing Director*)  
SUZUKI Junichi (*Deputy Managing Director*)  
CHAN Suk Jing

#### Non-executive Directors

OKUNO Yoshinori (*Chairman*)  
TSUJI Haruyoshi  
AGAWA Yutaka  
KOMATSU Takashi

#### Independent Non-executive Directors

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

#### NOMINATION COMMITTEE

OKUNO Yoshinori (*chairman*)  
LAM PEI Peggy  
SHAM Sui Leung Daniel  
SHAO Kung Chuen

#### REMUNERATION COMMITTEE

SHAO Kung Chuen (*chairman*)  
OKUNO Yoshinori  
LAM PEI Peggy  
SHAM Sui Leung Daniel

#### AUDIT COMMITTEE

SHAM Sui Leung Daniel (*chairman*)  
OKUNO Yoshinori  
LAM PEI Peggy  
CHENG Yin Ching Anna

### 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](http://www.jusco.com.hk)

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 2012 together with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	Six months ended	
		30.6.2012 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (unaudited)
Revenue	3	<b>3,582,372</b>	3,243,675
Other income		<b>284,674</b>	241,423
Investment income		<b>13,467</b>	12,856
Purchase of goods and changes in inventories		<b>(2,420,920)</b>	(2,189,201)
Staff costs		<b>(417,725)</b>	(333,213)
Depreciation		<b>(74,700)</b>	(63,718)
Gain on fair value change of an investment property		<b>30,000</b>	86,264
Gain (loss) on disposal of property, plant and equipment		<b>85</b>	(280)
Impairment loss recognised in respect of property, plant and equipment	9	<b>(9,726)</b>	—
Pre-operating expenses	4	<b>(23,770)</b>	(4,799)
Other expenses		<b>(786,667)</b>	(683,402)
Finance costs	5	<b>(578)</b>	(1,289)
Profit before tax		<b>176,512</b>	308,316
Income tax expense	6	<b>(27,857)</b>	(61,759)
Profit for the period		<b>148,655</b>	246,557
Profit for the period attributable to:			
Owners of the Company		<b>133,130</b>	218,893
Non-controlling interests		<b>15,525</b>	27,664
		<b>148,655</b>	246,557
Earnings per share — Basic	8	<b>51.20 HK cents</b>	84.19 HK cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<b>148,655</b>	246,557
Other comprehensive income		
Fair value gain (loss) on available-for-sale investments	<b>3,465</b>	(783)
Exchange differences arising on translation of foreign operations	<b>(2,174)</b>	9,519
Other comprehensive income for the period	<b>1,291</b>	8,736
Total comprehensive income for the period	<b>149,946</b>	255,293
Total comprehensive income attributable to:		
Owners of the Company	<b>135,193</b>	223,961
Non-controlling interests	<b>14,753</b>	31,332
	<b>149,946</b>	255,293

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
<b>Non-current Assets</b>			
Goodwill		94,838	94,838
Property, plant and equipment	9	699,567	607,773
Investment property	9	440,000	410,000
Available-for-sale investments	10	27,135	23,670
Deferred tax assets		28,930	30,092
Rental deposits		146,180	132,440
Time deposits	11	1,529	—
Pledged bank deposits	12	28,385	25,196
		<b>1,466,564</b>	1,324,009
<b>Current Assets</b>			
Inventories		614,087	699,962
Trade receivables	13	28,475	33,403
Other receivables, prepayments and deposits		158,350	144,552
Amounts due from fellow subsidiaries		68,870	116,986
Time deposits	11	224,487	116,730
Pledged bank deposits	12	12,848	25,800
Bank balances and cash		1,771,189	2,178,184
		<b>2,878,306</b>	3,315,617
<b>Current Liabilities</b>			
Trade payables	14	1,176,666	1,400,591
Other payables and accrued charges		1,059,076	1,203,668
Amounts due to fellow subsidiaries	15	56,175	56,532
Amount due to ultimate holding company	15	67,918	41,440
Bank borrowings	16	12,236	24,571
Income tax payable		12,351	27,991
Dividend payable		1,031	770
		<b>2,385,453</b>	2,755,563
<b>Net Current Assets</b>		<b>492,853</b>	560,054
<b>Total Assets Less Current Liabilities</b>		<b>1,959,417</b>	1,884,063
<b>Capital and Reserves</b>			
Share capital		52,000	52,000
Share premium and reserves		1,568,630	1,526,777
Equity attributable to owners of the Company		1,620,630	1,578,777
Non-controlling interests		198,702	183,949
<b>Total Equity</b>		<b>1,819,332</b>	1,762,726
<b>Non-current Liabilities</b>			
Rental deposits received		120,037	105,541
Deferred tax liabilities		20,048	15,796
		<b>140,085</b>	121,337
		<b>1,959,417</b>	1,884,063

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

Attributable to owners of the Company

	Share capital	Share premium	Investment revaluation reserve	Translation reserve	The People's Republic of China ("PRC") statutory reserves	Non-distributable reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	52,000	63,158	22,904	22,438	11,684	34,734	1,103,747	1,310,665	145,527	1,456,192
Profit for the period	–	–	–	–	–	–	218,893	218,893	27,664	246,557
Other comprehensive income for the period	–	–	(783)	5,851	–	–	–	5,068	3,668	8,736
Total comprehensive income for the period	–	–	(783)	5,851	–	–	218,893	223,961	31,332	255,293
Dividends recognised as distributions	–	–	–	–	–	–	(82,160)	(82,160)	–	(82,160)
At 30 June 2011 (unaudited)	52,000	63,158	22,121	28,289	11,684	34,734	1,240,480	1,452,466	176,859	1,629,325
Profit for the period	–	–	–	–	–	–	187,025	187,025	20,823	207,848
Other comprehensive income for the period	–	–	(2,383)	7,969	–	–	–	5,586	4,567	10,153
Total comprehensive income for the period	–	–	(2,383)	7,969	–	–	187,025	192,611	25,390	218,001
Transfer, net of non-controlling interests share	–	–	–	–	6,781	22,286	(29,067)	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	(66,300)	(66,300)	–	(66,300)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(18,300)	(18,300)
At 31 December 2011 (audited)	52,000	63,158	19,738	36,258	18,465	57,020	1,332,138	1,578,777	183,949	1,762,726
<b>Profit for the period</b>	–	–	–	–	–	–	<b>133,130</b>	<b>133,130</b>	<b>15,525</b>	<b>148,655</b>
<b>Other comprehensive income for the period</b>	–	–	<b>3,465</b>	<b>(1,402)</b>	–	–	–	<b>2,063</b>	<b>(772)</b>	<b>1,291</b>
<b>Total comprehensive income for the period</b>	–	–	<b>3,465</b>	<b>(1,402)</b>	–	–	<b>133,130</b>	<b>135,193</b>	<b>14,753</b>	<b>149,946</b>
<b>Dividends recognised as distribution</b>	–	–	–	–	–	–	<b>(93,340)</b>	<b>(93,340)</b>	–	<b>(93,340)</b>
<b>At 30 June 2012 (unaudited)</b>	<b>52,000</b>	<b>63,158</b>	<b>23,203</b>	<b>34,856</b>	<b>18,465</b>	<b>57,020</b>	<b>1,371,928</b>	<b>1,620,630</b>	<b>198,702</b>	<b>1,819,332</b>

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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.6.2012 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (unaudited)
<b>Operating cash flows before movements in working capital</b>	<b>220,788</b>	274,646
Decrease in trade payables	<b>(220,984)</b>	(185,465)
Decrease in rental deposits received, other payables and accrued charges	<b>(135,597)</b>	(13,638)
Increase in amount due to ultimate holding company	<b>26,476</b>	13,492
Decrease in inventories	<b>81,771</b>	86,166
Increase in other receivables, prepayments and deposits	<b>(28,010)</b>	(100,216)
Decrease in amounts due from fellow subsidiaries	<b>47,964</b>	26,577
Others	<b>4,597</b>	(2,749)
<b>Cash (used in) generated from operations</b>	<b>(2,995)</b>	98,813
People's Republic of China income taxes paid	<b>(38,139)</b>	(50,359)
Interest paid	<b>(578)</b>	(1,289)
Interest on bank deposits, callable time deposits and time deposits received	<b>13,467</b>	12,856
<b>Net Cash (used in) from Operating Activities</b>	<b>(28,245)</b>	60,021
<b>Investing Activities</b>		
Purchase of property, plant and equipment	<b>(168,950)</b>	(48,019)
Purchase of an investment property	—	(292,736)
Withdrawal of time deposits	<b>116,730</b>	—
Placement of time deposits	<b>(226,108)</b>	—
Withdrawal of pledged bank deposits	<b>12,868</b>	—
Increase in pledged bank deposits	<b>(3,297)</b>	(47,756)
Proceeds from disposal of property, plant and equipment	<b>166</b>	—
<b>Net Cash used in Investing Activities</b>	<b>(268,591)</b>	(388,511)
<b>Financing Activities</b>		
Dividend paid	<b>(93,079)</b>	(81,858)
Repayment of bank borrowings	<b>(12,255)</b>	(11,851)
<b>Net Cash used in Financing Activities</b>	<b>(105,334)</b>	(93,709)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(402,170)</b>	(422,199)
<b>Cash and Cash Equivalents at 1 January</b>	<b>2,178,184</b>	2,168,383
<b>Effect of Foreign Exchange Rate Changes</b>	<b>(4,825)</b>	24,854
<b>Cash and Cash Equivalents at 30 June</b> represented by bank balances and cash	<b>1,771,189</b>	1,771,038

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period, except that the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* has been early adopted by the Group for the year ended 31 December 2011.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and the assessment so far had been detailed in the Group's annual financial statements for the year ended 31 December 2011.

## 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	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
Direct sales	3,114,123	2,796,446
Income from concessionaire sales	468,249	447,229
Revenue	3,582,372	3,243,675



### 3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012

	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
Segment revenue — external	1,668,490	1,913,882	3,582,372
Segment profit	60,330	63,577	123,907
Gain on fair value change of an investment property			30,000
Rental income on an investment property			9,716
Investment income			13,467
Finance costs			(578)
Profit before tax			176,512

For the six months ended 30 June 2011

	Hong Kong HK\$'000	PRC HK\$'000	Total 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

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, investment income and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

### 4. PRE-OPERATING EXPENSES

The amounts represent the set up costs for new stores. Included in pre-operating expenses are staff costs of HK\$13,549,000 (six months ended 30.6.2011: HK\$3,201,000).

### 5. FINANCE COSTS

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

## 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012 HK\$'000	30.6.2011 HK\$'000
The charge comprises:		
Current tax		
Hong Kong	8,600	18,200
Other regions in the PRC	13,713	30,592
	<b>22,313</b>	48,792
Underprovision in prior years		
Other regions in the PRC	—	119
Deferred tax		
Current year	5,544	12,848
Income tax expense for the period	<b>27,857</b>	61,759

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 30.6.2011: 25%) of the estimated assessable profits of the subsidiaries.

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

## 7. DIVIDENDS

	Six months ended	
	30.6.2012 HK\$'000	30.6.2011 HK\$'000
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2011 of 35.9 HK cents (six months ended 30.6.2011: 31.6 HK cents for 2010 final dividend) per ordinary share	<b>93,340</b>	82,160

The Board of Directors has recommended an interim dividend of 16.5 HK cents (six months ended 30.6.2011: 25.5 HK cents) per ordinary share amounting to HK\$42,900,000 (six months ended 30.6.2011: HK\$66,300,000), be paid to the owners of the Company whose names appear on the Register of Members on 12 October 2012. The interim dividend will be paid on or before 29 October 2012.

## 8. 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\$133,130,000 (six months ended 30.6.2011: HK\$218,893,000) and on 260,000,000 (six months ended 30.6.2011: 260,000,000) ordinary shares in issue during the period.

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

## 9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period, the Group acquired property, plant and equipment of approximately HK\$178 million (six months ended 30.6.2011: HK\$53 million) to expand its operations.

During the period, the Directors conducted an impairment review of some stores of the Group as their performance were below the budget. The recoverable amounts of the relevant stores 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 and at a discount rate of 5%. Cash flow projections during the budget period were 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. An impairment loss of HK\$9,726,000 was recognised in the condensed consolidated statement of comprehensive income (six months ended 30.6.2011: nil).

As at 30 June 2012, accumulated impairment loss on property, plant and equipment of the Group is HK\$31,780,000 (31.12.2011: HK\$22,329,000).

During the six months ended 30 June 2011, the Group acquired a property in Hong Kong for a cash consideration of HK\$323,736,000. The property is held to earn rentals and is classified and accounted for as an investment property under fair value model.

The fair value of the Group's investment property at 30 June 2012 has been arrived at on the basis of valuation carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited is a member of Institute of Valuers. The valuation was arrived at by reference to recent transaction prices for similar properties in the same locations and conditions.

The resulting increase in fair value of the investment property of HK\$30,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2012 (six months ended 30.6.2011: HK\$86,264,000).

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2012 HK\$'000	31.12.2011 HK\$'000
Available-for-sale investments comprise:		
Equity securities:		
Listed shares in Hong Kong at fair value	24,785	21,380
Debt securities:		
Unlisted club debenture at fair value	2,350	2,290
	<b>27,135</b>	23,670

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\$24,785,000 (31.12.2011: HK\$21,380,000).

## 11. TIME DEPOSITS

As at 31 December 2011, time deposit represented 3-year United States dollars-denominated time deposit due on 20 April 2012 which carried a predetermined fixed interest rate. The effective interest rate was 4% per annum. The deposit was expired as at 30 June 2012.

As at 30 June 2012, the Group held another 6-month United States dollars-denominated time deposit of USD15 million (equivalent to HK\$116,813,000) due on 9 November 2012. It carries predetermined fixed interest rate. The effective interest rate is 1.02% per annum. In addition, the Group entered several Renminbi-denominated time deposits of RMB89 million (equivalent to HK\$109,203,000) which due in three months to five years. They carry predetermined fixed interest rates. The effective interest rates are ranging from 3.14% to 3.33% per annum.

## 12. PLEDGED BANK DEPOSITS

As at 30 June 2012, HK\$12.8 million (31.12.2011: HK\$25.8 million) of the Group's bank deposits were pledged for its bank borrowings. Another HK\$28.4 million (31.12.2011: HK\$25.2 million) were pledged to banks for guarantee to landlords for rental deposits. Such bank deposits which are expected to be realised more than twelve months after the reporting periods are classified as non-current.

## 13. 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:

	30.6.2012 HK\$'000	31.12.2011 HK\$'000
Within 30 days	28,435	33,403
31-60 days	40	—
	<b>28,475</b>	33,403

## 14. TRADE PAYABLES

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

	30.6.2012 HK\$'000	31.12.2011 HK\$'000
0-60 days	987,580	1,296,799
61-90 days	122,461	64,720
Over 90 days	66,625	39,072
	<b>1,176,666</b>	1,400,591

## 15. AMOUNTS DUE TO FELLOW SUBSIDIARIES/ULTIMATE HOLDING COMPANY

The amounts due to fellow subsidiaries and ultimate holding company are trade-related, unsecured and interest free. The amounts are aged within 60 days based on the invoice date at the end of respective reporting periods.

## 16. BANK BORROWINGS

The bank borrowings represent unsecured bank borrowings denominated in Renminbi which carry interest at floating rates and are repayable within one year. During the period, the Group has repaid bank borrowings of HK\$12,255,000 (six months ended 30.6.2011: HK\$11,851,000).

## 17. CAPITAL COMMITMENTS

	30.6.2012 HK\$'000	31.12.2011 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	19,195	30,662
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	160,908	251,917

## 18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

Capacity	Nature of transaction	Six months ended	
		30.6.2012 HK\$'000	30.6.2011 HK\$'000
Fellow subsidiaries	Commission for credit facilities provided to customers	5,440	4,448
	Franchise fee, consumable expenses and purchase of machines	113	170
	Other income	408	222
	Outsourcing service expense	3,184	2,909
	Purchase of goods	105,414	72,604
	Recharge of administrative expenses	369	591
	Reimbursement income of administrative expenses	1,889	3,241
	Rental expense	90	—
	Rental income	5,365	3,726
	Sales of goods	1,294	—
	Service fee income	—	377
	Service fee expense	11,513	—
Ultimate holding company	Royalty expenses	20,959	19,022
Non-controlling shareholders of the subsidiaries*	Advertising expenses	1,442	1,120
	Rental expenses, management fees and utilities expenses	27,025	24,964
Directors and key management	Remuneration	7,733	6,032

\* Non-controlling shareholders have significant influence over the subsidiaries.

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

	30.6.2012 HK\$'000	31.12.2011 HK\$'000
Amounts due from non-controlling shareholders of the subsidiaries	6,837	6,795

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## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 October 2012 to 12 October 2012 (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 9 October 2012.

## BUSINESS REVIEW

For the six months ended 30 June 2012, the Group sustained the growth momentum and achieved a revenue of HK\$3,582.4 million (2011: HK\$3,243.7 million), representing a year-on-year growth of 10.4%. Gross profit was adjusted slightly from 32.5% to 32.4% due to the increased share of the food sales and rising costs over the period. Profit attributable to the owner of the Company was recorded at HK\$133.1 million (2011: HK\$218.9 million) as affected by the decrease of the fair value gain from the Group's investment property, the increase in pre-operating expenses of new stores and impairment loss recognised, as well as a larger increment of operating expenses versus the increment of operating income. Excluding the change in the fair value of the investment property in both periods, profit would have only dropped by 22.2% to HK\$103.1 million.

In the first half of 2012, Hong Kong experienced a slight slowdown of economic growth due to the global financial instability. In addition, the rising prices of consumer products and luxury goods, as well as uncertain economic prospects weakened consumption sentiment. Nonetheless, driven by the contributions from newly opened stores, the revenue from the Hong Kong operations managed to grow 12.5% to HK\$1,668.5 million. Segment profit, however, dropped to HK\$60.3 million compared with HK\$96.6 million recorded in the last corresponding period under the impact of surging costs and pre-operating expenses of certain new stores.

During the review period, a store at Tuen Mun underwent renovation and expansion. To better accommodate the needs of customers, the store has an enlarged supermarket and a new apparel section, as well as featuring a variety of specialised restaurants. Another store in Kowloon City has partially opened during May with the supermarket the first section to welcome customers, offering quality food and health products from around the world as well as AEON's own TOPVALU brand product series. Also, a new store was opened at Tseung Kwan O MTR station in March, which strengthened the Group's presence along the MTR network. As at 30 June 2012, the Group operated a total of 36 stores in Hong Kong.

The PRC market encountered a similar situation as Hong Kong with slower economic growth and weaker market sentiment. The segment revenue rose from HK\$1,760.9 million to HK\$1,913.9 million, an 8.7% rise thanks to the expanded store network. Nonetheless, the soaring operating cost aggravated by inflation, the pre-operating expenses for certain new stores together with some new stores at the investment stage reduced the segment profit to HK\$63.6 million (2011: HK\$105.4 million). During the period, the Group opened two stores, one in Guangzhou and the other in Shenzhen. As at 30 June 2012, the Group operated a total of 22 stores in south China.

During the review period, the ratio of staff cost to revenue rose from 10.3% to 11.7%. The Group enhanced its remuneration package to retain competitive staff and enlarged its workforce to prepare for its business expansion plan. The ratio of rental cost to revenue increased to 10.6% from 9.9%. This ratio is expected to improve when the new stores are fully operational and the full period contributions are recorded.

The Group maintained a strong net cash position with cash and bank balances of HK\$1,996 million as at 30 June 2012 (31 December 2011: HK\$2,295 million) and bank borrowings of HK\$12.2 million (31 December 2011: HK\$24.6 million). The borrowings were denominated in Renminbi, bearing interest calculated with reference to the lending rate of the People's Bank of China. The Group's low gearing level leaves it with sufficient financial resources to fund future expansion efforts.

As at 30 June 2012, deposits of HK\$12.8 million (31 December 2011: HK\$25.8 million) and HK\$28.4 million (31 December 2011: HK\$25.2 million) were pledged as guarantees to banks for banking facilities and to landlords for rental deposits respectively.

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## **BUSINESS REVIEW (Continued)**

Capital expenditure for the period amounting to HK\$178 million was used for opening new stores and store renovations. The Group will continue to finance capital expenditure 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 unsettled European debt crises and slow-growing US economy will continue to drag the economic growth of other markets, including Hong Kong. Based on its rich experience in the local market and confidence in its long-term future growth, the Group remains cautiously optimistic about its operations in Hong Kong and is continuing its expansion plan. In the second half of 2012, apart from a new store in Causeway Bay opened in August to capture opportunities from the growing affluent consumer segment seeking a quality and trendy lifestyle in the district, the Group will open two more stores at Tsuen Wan, one in October and the other in December. As for the store in Kowloon City, a fashion section, a “Children’s Corner,” and other sections along with well-known licensees are soon to be opened and the store will be fully operational in early 2013. Smaller stores are also opening in Admiralty, Tai Wai, etc, from July until the end of the year.

As for the investment property in Hong Kong, the Group plans to extend a short-term lease with its existing single tenant. This enables the Group to have adequate time to plan for the establishment of new headquarters and centralised distribution and processing facilities there.

### **PRC OPERATIONS**

Despite the slowdown in its rapid economic growth, the PRC economy remains relatively healthy when compared with other countries. The Group believes the PRC will be a market of significant potential in the medium-to-long term and is diligently preparing to tap the exciting opportunities. Five additional stores are planned to be opened by the end of 2012 and one more store will be opened in early 2013. Moreover, the Group is studying the feasibility to develop the business beyond Guangdong Province, such as in Fujian Province, and will expand its retail footprint when suitable locations are identified.

## **HUMAN RESOURCES**

As at 30 June 2012, the Group had approximately 7,900 full-time and 1,500 part-time employees in Hong Kong and the PRC. The Group competitively remunerates employees based on their performance, experience and prevailing practices of the industry. As part of its commitment to delivering the highest standard of service to all its customers, the Group intends to continue to place efforts on enhancing the quality and skills of its staff. Concurrently, it strives to create an environment where employees can grow through a fulfilling career development path and enjoy a sense of camaraderie as well as loyalty to the Group.

## 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:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying SARs					Outstanding at 30.6.2012	
				Outstanding at 1.1.2012	Granted during the period	Exercised during the period (Note)	Cancelled during the period	Forfeited during the period		Reclassified during the period
<b>Directors</b>										
25.9.2009	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	88,800	—	(82,800)	—	—	3,000	9,000
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	88,800	—	(82,800)	—	—	3,000	9,000
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	118,400	—	—	—	—	(106,400)	12,000
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	94,200	—	(84,600)	—	—	1,200	10,800
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	94,200	—	—	—	—	(83,400)	10,800
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	125,600	—	—	—	—	(111,200)	14,400
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	78,000	—	—	—	—	(51,000)	27,000
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	78,000	—	—	—	—	(51,000)	27,000
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	104,000	—	—	—	—	(68,000)	36,000
<b>Employees</b>										
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	—	—	—	—	(3,000)	7,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	10,200	—	—	—	—	(3,000)	7,200
1.9.2010	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	13,600	—	—	—	—	106,400	120,000
	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	12,000	—	(1,200)	—	—	(1,200)	9,600
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	12,000	—	—	—	—	83,400	95,400
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	16,000	—	—	—	—	111,200	127,200
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	22,200	—	—	—	—	51,000	73,200
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	22,200	—	—	—	—	51,000	73,200
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	29,600	—	—	—	—	68,000	97,600
				1,034,000	—	(251,400)	—	—	—	782,600

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                      3% as referenced to the past dividend yields
- Number of steps                      100 nodes
- Exercise multiple                      2.2 times

At 30 June 2012, the market value per share was HK\$23.80.

Note: The weighted average closing price of the shares immediately before the dates on which the SARs were exercised was HK\$23.33.



## DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENT SCHEME

As at 30 June 2012, 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 %
CHAN Pui Man Christine	6,000	—	122,000	0.049
CHAN Suk Jing	—	—	34,000	0.013
LAM PEI Peggy	200,000	—	—	0.077
SHAO Kung Chuen	4,000	4,000	—	0.003

Note: This column represents interests in Share 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 %
Yoshinori OKUNO	300	0.00004
Junichi SUZUKI	4,000	0.00050
Haruyoshi TSUJI	3,109	0.00039
Takashi KOMATSU	2,000	0.00025

### (C) OTHER ASSOCIATED CORPORATIONS

Name of Director	Associated corporation	Number of shares held as personal interests	Approximate percentage of interests %
Junichi SUZUKI	AEON Thana Sinsap (Thailand) Public Co., Ltd.	15,000	0.006

## DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENT SCHEME (Continued)

### (D) SHARE APPRECIATION RIGHTS

- i. The Share Appreciation Rights of the Company are a form of cash-settled equity derivative. Particulars of the scheme are set out in the section Cash-settled Share-based Payment Transactions above.
- ii. As at 30 June 2012, certain Directors had interests in Share Appreciation Rights granted under the scheme as follows:

Name of Directors	Capacity	Number of underlying shares of the Company
CHAN Pui Man Christine	Beneficial owner	122,000
CHAN Suk Jing	Beneficial owner	34,000

- iii. The particulars of Share Appreciation Rights granted to the Directors and the movements during the period were as follows:

Date of grant	Exercise		Exercisable period	Number of underlying SARs						
	price HK\$	Vesting period		Outstanding at 1.1.2012	Granted during the period	Exercised during the period (Note)	Cancelled during the period	Forfeited during the period	Reclassified during the period	Outstanding at 30.6.2012
<b>LAM Man Tin</b>										
25.9.2009	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	82,800	—	(82,800)	—	—	—	—
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	82,800	—	(82,800)	—	—	—	—
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	110,400	—	—	—	—	(110,400)	—
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	84,600	—	(84,600)	—	—	—	—
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	84,600	—	—	—	—	(84,600)	—
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	112,800	—	—	—	—	(112,800)	—
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	57,000	—	—	—	—	(57,000)	—
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	57,000	—	—	—	—	(57,000)	—
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	76,000	—	—	—	—	(76,000)	—
<b>CHAN Pui Man Christine</b>										
25.9.2009	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	6,000	—	—	—	—	—	6,000
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	6,000	—	—	—	—	—	6,000
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	8,000	—	—	—	—	—	8,000
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	9,600	—	—	—	—	—	9,600
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	9,600	—	—	—	—	—	9,600
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	12,800	—	—	—	—	—	12,800
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	21,000	—	—	—	—	—	21,000
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	21,000	—	—	—	—	—	21,000
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	28,000	—	—	—	—	—	28,000
<b>CHAN Suk Jing</b>										
25.9.2009	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	—	—	—	—	—	3,000	3,000
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	—	—	—	—	—	3,000	3,000
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	—	—	—	—	—	4,000	4,000
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	—	—	—	—	—	1,200	1,200
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	—	—	—	—	—	1,200	1,200
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	—	—	—	—	—	1,600	1,600
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	—	—	—	—	—	6,000	6,000
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	—	—	—	—	—	6,000	6,000
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	—	—	—	—	—	8,000	8,000

## DIRECTORS' INTERESTS IN SHARES AND CASH-SETTLED SHARE-BASED PAYMENT SCHEME (Continued)

### (D) SHARE APPRECIATION RIGHTS (Continued)

- iii. The particulars of Share Appreciation Rights granted to the Directors and the movements during the period were as follows: (Continued)

Note: The weighted average closing price of the shares immediately before the dates on which the SARs were exercised was HK\$23.33.

Other than as disclosed above, at 30 June 2012, 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).

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2012, shareholders (other than Directors or chief executives 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 AEON Credit Service (Asia) Company Limited ("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 30 June 2012.

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## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, 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 2012 with the code provisions set out in the Corporate Governance Code and Corporate Governance Report 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 2012.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2012 with management.

## UPDATED INFORMATION OF DIRECTORS

The changes in the information of Directors are set out below pursuant to Rule 13.51B of the Listing Rules:

### CHANGES IN DIRECTORS

Name of Directors	Details of change
LAM Man Tin	Resigned as Executive Director and Managing Director on 25 May 2012
CHAN Pui Man Christine	Appointed as Managing Director on 25 May 2012
SUZUKI Junichi	Appointed as Executive Director on 16 March 2012 and appointed as Deputy Managing Director on 25 May 2012
CHAN Suk Jing	Appointed as Executive Director on 16 March 2012
AGAWA Yutaka	Appointed as Non-executive Director on 24 August 2012
YONETA Yuji	Resigned as Executive Director on 16 March 2012
YOSHIDA Akio	Resigned as Non-executive Director on 16 March 2012
OKUNO Yoshinori	Appointed as chairman of Nomination Committee on 13 January 2012 Resigned as chairman and became member of Remuneration Committee, both on 13 January 2012
LAM PEI Peggy	Appointed as member of Nomination Committee on 13 January 2012
SHAM Sui Leung Daniel	Appointed as member of Nomination Committee on 13 January 2012
SHAO Kung Chuen	Appointed as member of Nomination Committee and appointed as chairman of Remuneration Committee, both on 13 January 2012

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## CHANGES IN DIRECTORS' EMOLUMENTS

The emoluments of the Directors are determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

With effect from 1 January 2012, the Directors entitlement to director fee and emoluments (which will be pro-rata to the period of services in the year of their appointments) for the year ending 31 December 2012 are as follows:

<b>Name of Directors</b>	<b>Emoluments</b> HK\$
LAM Man Tin	2,618,000
OKUNO Yoshinori	3,385,000
KOMATSU Takashi	2,538,000
YONETA Yuji	1,838,000

By order of the Board of  
**AEON Stores (Hong Kong) Co., Limited**  
**CHAN Pui Man, Christine**  
*Managing Director*

Hong Kong, 24 August 2012