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)

2007 INTERIM RESULTS

The Board of Directors 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 Stores") for the 6 months ended 30 June 2007 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30.6.2007 HK$'000 (unaudited)	30.6.2006 HK$'000 (unaudited)
Revenue	3	**2,359,195**	2,052,117
Other income		**149,626**	128,658
Investment income		**21,549**	15,899
Purchase of goods and changes in inventories		**(1,567,298)**	(1,375,711)
Staff costs		**(256,215)**	(236,829)
Depreciation		**(73,087)**	(65,781)
Loss on disposal of property, plant and equipment		**(183)**	(557)
Pre-operating expenses		**(2,531)**	-
Royalty fee savings	4	**64,080**	-
Other expenses		**(526,279)**	(471,152)
Finance costs		**(1,608)**	(331)
Profit before taxation		**167,249**	46,313
Income tax expenses	5	**(32,559)**	(17,092)
Profit for the period		**134,690**	29,221
Attributable to:			
Equity holders of the parent		**128,423**	28,027
Minority interest		**6,267**	1,194
		134,690	29,221
Dividends	6	**45,500**	36,400
Earnings per share	7	**49.39 HK cents**	10.78 HK cents
Interim and special dividend per share proposed after balance sheet date	6	**28.0 HK cents**	5.5 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007

	30.6.2007 **HK$'000** **(unaudited)**	31.12.2006 HK$'000 (audited)
Non-current Assets		
Property, plant and equipment	**300,774**	304,617
Available-for-sale investments	**27,784**	24,862
Deferred taxation	**11,533**	14,486
Rental deposits and prepayments	**85,227**	79,014
	425,318	422,979
Current Assets		
Inventories	**344,279**	367,282
Trade receivables	**14,074**	39,215
Other receivables, prepayments and deposits	**46,778**	41,310
Amounts due from fellow subsidiaries	**35,919**	45,159
Pledged bank deposits	**6,858**	-
Bank balances and cash	**1,669,940**	1,540,766
	2,117,848	2,033,732
Current Liabilities		
Trade payables	**1,121,284**	1,040,423
Other payables and accrued charges	**350,055**	378,096
Amounts due to fellow subsidiaries	**21,018**	24,754
Amount due to ultimate holding company	**14,944**	127,534
Bank borrowings	**91,980**	59,712
Income tax payable	**31,529**	9,359
Dividend payable	**456**	236
	1,631,266	1,640,114
Net Current Assets	**486,582**	393,618
	911,900	816,597
Capital and Reserves		
Share capital	**52,000**	52,000
Share premium and reserves	**781,644**	693,424
Equity attributable to equity holders of the parent	**833,644**	745,424
Minority interests	**56,724**	49,089
Total Equity	**890,368**	794,513
Non-current Liabilities		
Deposits received	**21,532**	22,084
	911,900	816,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[2]
HK(IFRIC) - Int 8	Scope of HKFRS 2[3]
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the condensed consolidated financial statements of the Group.

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions[2]
HK(IFRIC) - INT 12	Service Concession Arrangements[3]

[1] Effective annual periods beginning on or after 1 January 2009.
[2] Effective annual periods beginning on or after 1 March 2007.
[3] Effective annual periods beginning on or after 1 January 2008.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of goods, net of discounts, sold to customers, and income from concessionaire sales during the year.

	Six months ended	
	30.6.2007	30.6.2006
	HK$'000	HK$'000
Income from concessionaire sales	**343,670**	291,774
Direct sales	**2,015,525**	1,760,343
Revenue	**2,359,195**	2,052,117

The Group is principally engaged in the operation of general merchandise stores. No business segment analysis is presented as the management considers that the Group has one single business segment. The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"), other than Hong Kong.

An analysis of the Group's revenue and results by geographical segment is as follows:

Six months ended 30 June 2007

	Hong Kong	**PRC**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**
REVENUE	**1,574,771**	**784,424**	**2,359,195**
SEGMENT RESULT	**155,719**	**13,137**	**168,856**
Dividend income			**1**
Finance costs			**(1,608)**
Profit before taxation			**167,249**
Income tax expenses			**(32,559)**
Profit for the period			**134,690**

Six months ended 30 June 2006

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
REVENUE	1,404,626	647,491	2,052,117
SEGMENT RESULT	44,706	1,937	46,643
Dividend income			1
Finance costs			(331)
Profit before taxation			46,313
Income tax expenses			(17,092)
Profit for the period			29,221

4. ROYALTY FEE SAVINGS

On 12 December 2006, the Board of Directors announced that the Company entered into a conditional amendment agreement ("Amendment Agreement") with AEON Co., Ltd., the ultimate holding company, to amend the technical assistance agreement which was entered into on 31 December 1993 for the provision by AEON Co., Ltd. to the Company of technical assistance including the right to use certain trade marks of AEON Co., Ltd. and the system of information and know-how in consideration of an annual fee paid by the Company to AEON Co., Ltd. ("Technical Assistance Agreement"). Pursuant to the Amendment Agreement and in lieu of calculation provisions in the existing Technical Assistance Agreement, the Group shall pay a royalty fee to AEON Co., Ltd. for each financial year in the amount of 0.4% (the "New Royalty Rate") of the audited consolidated Total of Revenue of the Company and its Affiliates as defined in the Amendment Agreement for the relevant financial year. The New Royalty Rate will be adopted retrospectively with effect from 1 January 2003.

Details of the above are set out in the circular issued by the Company on 3 January 2007. The resolution of adopting the Amendment Agreement was duly approved by the shareholders of the Company (AEON Co., Ltd. and its affiliates having abstained from voting) and passed on the extraordinary general meeting held on 26 January 2007.

Under the Amendment Agreement, the New Royalty Rate is to be applied retrospectively with effect from 1 January 2003. This gives rise to royalty fee savings of HK$64,080,000, which is recognised in the condensed consolidated income statement during the current period. The royalty fee savings are computed based on the difference between the royalty fee incurred by the Company and its Affiliates from 1 January 2003 to 31 December 2006 pursuant to the Technical Assistance Agreement, and the royalty fee which would have been incurred by the Company and its Affiliates on the basis that the New Royalty Rate has been adopted during the corresponding years.

Another supplementary agreement ("Supplementary Agreement") was entered into between AEON Co., Ltd. and the Company to amend the definition of the Total of Revenue, and there is no effect on the royalty fee savings. Details are set out in the circular issued by the Company on 24 April 2007. The resolution of adopting the Supplementary Agreement was duly approved by the shareholders of the Company (AEON Co., Ltd. and its affiliates having abstained from voting) and passed on the extraordinary general meeting held on 23 May 2007.

5. INCOME TAX EXPENSES

	Six months ended	
	30.6.2007	30.6.2006
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**16,000**	10,730
PRC income tax	**13,606**	6,122
	29,606	16,852
Underprovision in prior year		
PRC income tax	**-**	3,215
	29,606	20,067
Deferred tax:		
Charge (credit) for the period	**2,953**	(2,975)
	32,559	17,092

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

The PRC income tax is calculated at 15% to 33% of the estimated assessable profits of the subsidiaries.

6. DIVIDENDS

	Six months ended	
	30.6.2007	30.6.2006
	HK$'000	HK$'000
Final dividend paid in respect of the year ended 31 December 2006 of 17.5 HK cents (year ended 31 December 2005: 14.0 HK cents) per ordinary share	**45,500**	36,400

The directors have declared on 15 September 2007 that an interim dividend of 8.0 HK cents (six months ended 30.6.2006: 5.5 HK cents) per share amounting to HK$20,800,000 (six months ended 30.6.2006: HK$14,300,000) and a special dividend of 20.0 HK cents (six months ended 30.6.2006: nil) per share amounting to HK$52,000,000 (six months ended 30.6.2006: nil) be paid to the shareholders of the Company whose names appear on the Register of Members on 12 October 2007. The interim dividend and special dividend will be paid on or before 18 October 2007.

7. EARNINGS PER SHARE

The calculation of earnings per share attributable to the equity holders of the parent is based on the Group's profit for the period attributable to the equity holders of the parent of HK$128,423,000 (six months ended 30.6.2006: HK$28,027,000) and on 260,000,000 (six months ended 30.6.2006: 260,000,000) ordinary shares in issue during the period.

8. COMPARATIVE FIGURES

Income from concessionaire sales is presented net of gross sales made under such arrangement and amounts paid/payable to concessionaires so as to conform better presentation, and the current accounting practice.

Accordingly, revenue and purchases of goods for the period ended 30 June 2006 has decreased from HK$2,831,340,000 to HK$2,052,117,000 and from HK$2,154,934,000 to HK$1,375,711,000 respectively.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 October 2007 to 12 October 2007 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the interim dividend and special 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 2007.

BUSINESS REVIEW

For the six months ended 30 June 2007, the Group's revenue was up 15% to HK$2,359 million against HK$2,052 million for the last corresponding period, reflecting the rise in sales of our existing and newly opened stores. Our gross profit margin, however, increased only slightly from 33.0% in the last corresponding period to 33.6%, mainly because we embarked on stock clearance last year. Profit attributable to shareholders, including a one-off write back of royalty savings of HK$64 million according to an amendment agreement made with AEON Co., Ltd., surged by almost 3.6 times from HK$28 million to HK$128 million, reflecting mainly the significant growth in revenue and improvement in gross profit margin.

Declining unemployment rate and an overall reviving economy stimulated consumption sentiment in Hong Kong in the first half of 2007. Against this backdrop, the Group's operations in Hong Kong delivered encouraging results with revenue up by 12% from HK$1,405 million to HK$1,575 million. Hong Kong segment profit for the period rose 2.5 times from HK$45 million to HK$156 million, with costs incurred by the closure of JUSCO Tseung Kwan O Store taken into account. Excluding the one-off write-back for the royalty savings, the profit would still have doubled to HK$92 million resulting from strong operating performance.

In Hong Kong, the Group now operates 6 General Merchandise Stores ("GMS"), 12 independent JUSCO $10 Plaza and 3 independent supermarkets in major residential districts. During the period, the existing stores recorded satisfactory results, contributing to the excellent performance of the Group's Hong Kong operation.

The rapid growth of economies in southern China continued to present business opportunities to the Group's mainland operation, which reported a 21% growth in revenue from HK$647 million in the last corresponding period to HK$784 million in the period under review. Segment profit for the period increased six folds to HK$13 million from HK$2 million in the last corresponding period.

In January 2007, the Group opened its first shopping centre AEON Shunde Shopping Centre ("Shopping Centre") in Shunde, Guangdong. The over 47,000 sq. m. Shopping Centre includes a 18,500 sq. m. GMS and over 90 retail outlets. Within 10 minutes' ride for 438,000 residents and near residential projects soon to be completed, the Shopping Centre has yet to fully realise its business potential.

To capture vast market opportunities in the region, the Group introduced another GMS in Shenzhen in April 2007. In the Coco Park, Shenzhen, the store's design is based on the concept of "growing with customers" targets nuclear families in the district. As at 30 June 2007, the Group operated 10 GMS and 1 shopping centre in southern China.

During the review period, staff cost and rental cost relative to revenue was down from 11.5% to 10.9% and from 10.9% to 10.0% respectively.

The Group maintained a stable net cash position with cash and bank balance of HK$1,670 million as at 30 June 2007 (31 December 2006: HK$1,541 million) and short-term bank borrowings of HK$92 million (31 December 2006: HK$60 million). The borrowings were denominated in Renminbi bearing interest at around 5.2% per annum.

Capital expenditure during the period amounted to HK$65 million, which was used to fund renovation of existing stores and opening of news stores. 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

Although the stock market in Hong Kong has been volatile, the Hong Kong economy at large has continued to revive benefiting the retail market. However, heeding possible adverse impact of rising inflation rate and rental cost, the Group holds a cautiously optimistic view about the operational environment in Hong Kong.

Encouraged by the success of the two JUSCO Supermarket in Kwun Tong and Lam Tin, the Group opened a third independent supermarket in August 2007. The about 31,000 sq. ft. new supermarket in Grand Waterfront Plaza is the largest in To Kwa Wan. It provides over 8,000 food and grocery items, over 40% of which are directly imported from Japan. As more people are moving into this new estate and new private housing estates are expected to be completed for occupation in the next few years, the Group sees abundant opportunities for the new store in coming years.

To meet the ever-changing needs of customers, the Group is going to introduce a new business model, named Bento Express, to Hong Kong and targets to open the first store in Wan Chai by the end of September 2007. "Bento" is a single-portion takeout or home-packed meal common in Japanese cuisine. This new store will mainly provide "low fat, low salt, low sugar and high fibre" healthy Japanese food and beverages take-away service. It will also carry TOPVALU merchandises including a wide spectrum of snacks and drinks. With Japanese food gaining popularity and healthy lifestyle becoming prevalent in Hong Kong, the Group is confident that Bento Express will be well-received in the market.

Besides introducing this new business model, the Group will continue to look for suitable locations to open more GMS, JUSCO $10 Plaza and JUSCO Supermarket to strengthen its retail network.

PRC Operations

The economy in southern China region continues to flourish and drives the growth of the retail industry. The Group believes that both the new and existing stores will benefit from customers' robust demand for quality merchandise and services. To grasp the emerging opportunities, the Group is going to open one more GMS in Nanshan, Shenzhen by the end of 2007. The investment cost is expected to be around RMB36 million. The Group will strive to identify more suitable locations for new stores to accelerate its expansion plan in the PRC.

HUMAN RESOURCES

As at 30 June 2007, the Group had about 4,700 full-time and 2,600 part-time employees in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practice. Committed to providing quality services to our customers, we will continue to invest in enhancing the quality and skills of our staff and also foster among our employees a sense of loyalty to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the six months ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, save that in the interim review of the effectiveness of the system of internal control of the Group, the directors identified a weakness in a subsidiary's reporting system which led to the late announcement of a tenancy agreement entered into between the subsidiary and the joint venture partner of that subsidiary. Under the Listing Rules, the tenancy agreement constituted a continuing connected transaction of the Company and should have been announced when it was entered into by the parties. The late announcement was caused by a change of management of the subsidiary in April 2006 and the new management had not notified the Company of the tenancy agreement when it was entered into in November 2006. Upon becoming aware of the execution of the tenancy agreement in June 2007, the Company took immediate steps to engage an independent financial adviser and valuer to review and opine on the terms of the tenancy agreement. In addition, the Company has stepped up its monitoring and reporting procedures by (i) carrying out discussions with the management of the subsidiary in question and other subsidiaries with a particular emphasis on the importance of adhering to the requirements stipulated in the Listing Rules; (ii) reviewing the internal reporting and compliance system within the Group; (iii) arranging for seminars and training sessions for management of the Group to ensure that they are up-to-date with the requirements stipulated in the Listing Rules; and (iv) requiring all subsidiaries involved in continuing connected transactions to report to the management on a regular basis. The Company will continuously monitor and review the connected transactions and will comply with the requirements set out in Chapter 14A of 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 2007.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2007 with management.

By Order of the Board
LAM Man Tin
Managing Director

Hong Kong, 15 September 2007

As at the date of this announcement, the executive Directors are Mr. Lam Man Tin, Mr. Yutaka Fukumoto, Mr. Wong Mun Yu and Mr. Yutaka Agawa; the non-executive Directors are Mr. Akihito Tanaka, Mr. Masaaki Toyoshima and Mr. Kazumasa Ishii; and the independent non-executive Directors are Madam Lam Pei Peggy, Mr. Sham Sui Leung, Daniel and Ms. Cheng Yin Ching, Anna.