



**AEON Stores (Hong Kong) Co., Limited**

**永旺(香港)百貨有限公司**

Stock Code : 984



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Interim Report

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 2009 together with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTES	Six months ended	
		30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited and restated)
Revenue	3	2,815,716	2,601,138
Other income		192,534	172,974
Investment income		13,060	19,217
Purchases of goods and changes in inventories		(1,917,972)	(1,717,108)
Staff costs		(292,730)	(285,755)
Depreciation		(71,304)	(60,720)
Loss on disposal of property, plant and equipment		(22)	(4,876)
Impairment loss recognized in respect of property, plant and equipment		(2,935)	—
Pre-operating expenses	4	(6,696)	(194)
Other expenses		(624,886)	(555,083)
Finance costs	5	(3,553)	(2,729)
Profit before taxation		101,212	166,864
Income tax expenses	6	(30,945)	(33,460)
Profit for the period		70,267	133,404
Profit for the period attributable to:			
Owners of the Company		55,694	110,100
Minority interests		14,573	23,304
		70,267	133,404
Earnings per share	8	21.42 HK cents	42.35 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	<b>Six months ended</b>	
	<b>30.6.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2008 HK\$'000 (unaudited and restated)
Profit for the period	<b>70,267</b>	133,404
Other comprehensive income		
Fair value gain on available-for-sale investments	<b>4,515</b>	2,535
Exchange differences arising on translation of foreign operations	<b>(1,014)</b>	11,459
Other comprehensive income for the period	<b>3,501</b>	13,994
Total comprehensive income for the period	<b>73,768</b>	147,398
Total comprehensive income attributable to:		
Owners of the Company	<b>59,529</b>	118,617
Minority interests	<b>14,239</b>	28,781
	<b>73,768</b>	147,398

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2009

	NOTES	30.6.2009 HK\$'000 (unaudited)	31.12.2008 HK\$'000 (audited and restated)
<b>Non-current Assets</b>			
Goodwill		94,838	94,838
Property, plant and equipment	9	476,854	444,062
Available-for-sale investments	10	19,940	15,425
Callable deposits	11	77,620	155,486
Time deposit		116,430	—
Deferred taxation		9,279	13,508
Rental deposits and prepayments		98,485	137,455
		<b>893,446</b>	860,774
<b>Current Assets</b>			
Inventories		477,868	549,091
Trade receivables	12	16,435	20,345
Other receivables, prepayments and deposits		78,236	47,707
Amounts due from fellow subsidiaries		51,480	57,830
Pledged bank deposits	16	12,456	12,265
Bank balances and cash		1,485,100	1,618,932
		<b>2,121,575</b>	2,306,170
<b>Current Liabilities</b>			
Trade payables	13	977,767	1,062,598
Other payables and accrued charges		604,614	641,649
Amounts due to fellow subsidiaries		36,276	56,502
Amount due to ultimate holding company		18,249	31,692
Bank borrowings	14	141,232	151,946
Income tax payable		24,568	9,565
Dividend payable		770	448
		<b>1,803,476</b>	1,954,400
<b>Net Current Assets</b>		<b>318,099</b>	351,770
<b>Total Assets Less Current Liabilities</b>		<b>1,211,545</b>	1,212,544
<b>Capital and Reserves</b>			
Share capital		52,000	52,000
Share premium and reserves		996,909	1,009,920
<b>Equity attributable to:</b>			
Owners of the Company		1,048,909	1,061,920
Minority interests		106,614	92,375
<b>Total Equity</b>		<b>1,155,523</b>	1,154,295
<b>Non-current Liabilities</b>			
Deposits received		52,213	55,675
Deferred tax liabilities		3,809	2,574
		<b>56,022</b>	58,249
		<b>1,211,545</b>	1,212,544

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	The People's Republic of China ("PRC") statutory reserves HK\$'000	Non- distributable reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	52,000	63,158	25,463	12,601	4,022	2,587	—	757,703	917,534	71,857	989,391
Effect of changes in the accounting policies (note 2)	—	—	—	(22)	—	—	—	(549)	(571)	(308)	(879)
At 1 January 2008 as restated	52,000	63,158	25,463	12,579	4,022	2,587	—	757,154	916,963	71,549	988,512
Profit for the period as restated	—	—	—	—	—	—	—	110,100	110,100	23,304	133,404
Fair value gain on available-for- sale investments	—	—	2,535	—	—	—	—	—	2,535	—	2,535
Exchange differences arising on translation of foreign operations	—	—	—	5,982	—	—	—	—	5,982	5,477	11,459
Total comprehensive income for the period	—	—	2,535	5,982	—	—	—	110,100	118,617	28,781	147,398
Contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	1,802	1,802
Transfer, net of minority interests share	—	—	—	—	—	7,646	—	(7,646)	—	—	—
Dividends	—	—	—	—	—	—	—	(67,600)	(67,600)	—	(67,600)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	(107,488)	—	(107,488)	—	(107,488)
At 30 June 2008 (unaudited)	52,000	63,158	27,998	18,561	4,022	10,233	(107,488)	792,008	860,492	102,132	962,624
Profit for the period as restated	—	—	—	—	—	—	—	161,436	161,436	9,611	171,047
Fair value loss on available-for-sale investments	—	—	(16,505)	—	—	—	—	—	(16,505)	—	(16,505)
Exchange differences arising on translation of foreign operations	—	—	—	(811)	—	—	—	—	(811)	(426)	(1,237)
Total comprehensive income for the period	—	—	(16,505)	(811)	—	—	—	161,436	144,120	9,185	153,305
Transfer, net of minority interests share	—	—	—	—	2,073	8,156	—	(10,229)	—	—	—
Dividends	—	—	—	—	—	—	—	(50,180)	(50,180)	—	(50,180)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(5,861)	(5,861)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	107,488	—	107,488	(13,081)	94,407
At 31 December 2008 (audited and restated)	52,000	63,158	11,493	17,750	6,095	18,389	—	893,035	1,061,920	92,375	1,154,295

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	The People's Republic of China ("PRC") statutory reserves HK\$'000	Non- distributable reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
Profit for the period	–	–	–	–	–	–	–	55,694	55,694	14,573	70,267
Fair value gain on available- for-sale investments	–	–	4,515	–	–	–	–	–	4,515	–	4,515
Exchange differences arising on translation of foreign operations	–	–	–	(680)	–	–	–	–	(680)	(334)	(1,014)
<b>Total comprehensive income for the period</b>	–	–	4,515	(680)	–	–	–	55,694	59,529	14,239	73,768
Transfer, net of minority interests share	–	–	–	–	–	7,533	–	(7,533)	–	–	–
Dividends	–	–	–	–	–	–	–	(72,540)	(72,540)	–	(72,540)
<b>At 30 June 2009 (unaudited)</b>	<b>52,000</b>	<b>63,158</b>	<b>16,008</b>	<b>17,070</b>	<b>6,095</b>	<b>25,922</b>	<b>–</b>	<b>868,656</b>	<b>1,048,909</b>	<b>106,614</b>	<b>1,155,523</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 capitalization of retained profits as registered capital of a subsidiary in the PRC.

Other reserve is a reserve arising from entering into a forward contract to acquire 35% of the entire registered capital of a subsidiary in the PRC.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended	
	30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited and restated)
<b>Operating cash flows before movements in working capital</b>	<b>169,351</b>	215,774
Decrease in trade payables	<b>(86,511)</b>	(154,486)
Decrease in other payables and accrued charges	<b>(45,066)</b>	(78,424)
Decrease in amount due to ultimate holding company	<b>(13,443)</b>	(12,144)
Others	<b>67,472</b>	33,327
<b>Cash generated from operations</b>	<b>91,803</b>	4,047
PRC income tax paid	<b>(9,220)</b>	(27,815)
Interest paid	<b>(3,553)</b>	(2,729)
Interest on bank deposits and callable deposits received	<b>13,060</b>	18,649
<b>Net Cash from (used in) Operating Activities</b>	<b>92,090</b>	(7,848)
<b>Investing Activities</b>		
Callable deposits redeemed (made)	<b>77,866</b>	(233,994)
Time deposit made	<b>(116,430)</b>	—
Purchase of property, plant and equipment	<b>(108,273)</b>	(64,816)
Other investing activities	<b>(153)</b>	2,960
<b>Net Cash used in Investing Activities</b>	<b>(146,990)</b>	(295,850)
<b>Financing Activities</b>		
Dividend paid	<b>(72,218)</b>	(67,283)
Repayments of bank borrowings	<b>(158,777)</b>	—
New bank borrowings raised	<b>147,517</b>	14,787
Contribution from a minority shareholder	<b>—</b>	1,802
<b>Net Cash used in Financing Activities</b>	<b>(83,478)</b>	(50,694)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(138,378)</b>	(354,392)
<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>1,618,932</b>	1,651,084
<b>Effect of Foreign Exchange Rate Changes</b>	<b>4,546</b>	32,621
<b>Cash and Cash Equivalents at End of the Period</b> represented by Bank balances and cash	<b>1,485,100</b>	1,329,313

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 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, 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 2008.

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 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.



## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was geographical segments by location of assets. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the other new and revised HKFRSs has had the following effect on the reported results and financial position of the Group for the current or prior accounting periods:

### HK(IFRIC) — Int 13 “Customer Loyalty Programmes”

The adoption of HK(IFRIC) — Int 13 has resulted in a change to the revenue recognition policy of the Group for its customer loyalty programme. The customer privilege programmes operated for the benefit of its customers falls within the scope of HK(IFRIC) — Int 13. Under the customer privilege programmes, the customers are entitled to receive bonus points which can be used to redeem cash coupon. Previously, the Group had accounted for the customer privilege programmes by recognizing the full consideration from retail sales as revenue and cost of bonus points as expenses upon the time of redeem cash coupons. However, HK(IFRIC) — Int 13 requires that such transactions be accounted for as “multiple element revenue transactions” and that the consideration received in the initial sales transaction should be allocated between the sales of retail goods and the cost of bonus points that are earned by the customers.

This change in accounting policy has been applied retrospectively, in accordance with the HK(IFRIC) — Int 13. The impact of the change in accounting policy at the beginning of the comparative period has been to decrease provision by HK\$4,741,000 and increase deferred revenue by HK\$7,770,000, with a corresponding adjustment of HK\$3,029,000 against opening retained profits. The change has had no material tax impact. Revenue for the period has been increased by HK\$1,449,000 (six months ended 30 June 2008: decreased by HK\$1,178,000) and other expenses has not been increased (six months ended 30 June 2008: increased by HK\$1,065,000). Profit for the period has therefore been increased by HK\$1,449,000 as a result of the application of HK(IFRIC) — Int 13 (six months ended 30 June 2008: decreased by HK\$2,243,000). At 30 June 2009, deferred revenue of HK\$4,554,000 has been recognized in the condensed consolidated statement of financial position (31 December 2008: HK\$7,770,000).

### Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the results for the current and prior periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended	
	30.6.2009 HK\$'000	30.6.2008 HK\$'000
Increase (decrease) in revenue	1,449	(1,178)
Increase in other expenses	—	(1,065)
Increase (decrease) in profit for the period	1,449	(2,243)

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Summary of the effect of the above changes in accounting policies (Continued)

The effect of changes in accounting policies described above on the financial positions of the Group as at 1 January 2008 is as follows:

	As at 1.1.2008 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.1.2008 (audited and restated) HK\$'000
Other payables and accrued charges	1,036,747	879	1,037,626
Total effect on net assets	1,036,747	879	1,037,626
Retained profits	757,703	(549)	757,154
Minority interests	71,857	(308)	71,549
Translation reserve	12,601	(22)	12,579
Total effects on equity	842,161	(879)	841,282

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 December 2008 is as follows:

	As at 31.12.2008 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31.12.2008 (audited and restated) HK\$'000
Other payables and accrued charges	638,620	3,029	641,649
Total effect on net assets	638,620	3,029	641,649
Retained profits	895,003	(1,968)	893,035
Minority interests	93,362	(987)	92,375
Translation reserve	17,824	(74)	17,750
Total effects on equity	1,006,189	(3,029)	1,003,160

The effect of changes in accounting policies described above on the Group's basic earnings per share for the current and prior periods is as follows:

### Impact on basic earnings per share

	Six months ended	
	30.6.2009 HK cents	30.6.2008 HK cents
Reported figures before adjustments	20.86	42.91
Adjustments arising from changes in accounting policies	0.56	(0.56)
Restated	21.42	42.35

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised in 2008)	Business Combinations <sup>1</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in a loss of control of the subsidiary will be accounted for as equity transactions. The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 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 period.

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<b>HK\$'000</b>	HK\$'000
Direct sales	<b>2,440,128</b>	2,217,706
Income from concessionaire sales	<b>375,588</b>	383,432
Revenue	<b>2,815,716</b>	2,601,138

As stated in note 2, the Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. Information reported to the Group's chief operating decision maker 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 and are identified by the chief operating decision maker as two separate reportable segments of Hong Kong and the PRC. The existing identification of the Group's reportable segments under HKFRS 8 is consistent with that of the prior year's presentation of geographic segment under HKAS 14.

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

Six months ended 30 June 2009

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>	<b>1,585,856</b>	<b>1,229,860</b>	<b>2,815,716</b>
<b>SEGMENT RESULT</b>	<b>94,902</b>	<b>(3,197)</b>	<b>91,705</b>
Interest income			13,060
Finance costs			(3,553)
<b>Profit before taxation</b>			<b>101,212</b>
<b>Income tax expenses</b>			<b>(30,945)</b>
<b>Profit for the period</b>			<b>70,267</b>

Six months ended 30 June 2008

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
REVENUE	1,488,793	1,112,345	2,601,138
SEGMENT RESULT	85,302	65,074	150,376
Dividend income			568
Interest income			18,649
Finance costs			(2,729)
Profit before taxation			166,864
Income tax expenses			(33,460)
Profit for the period			133,404

Segment profit represents the profit earned by each segment without allocation of dividend income, investment revenue and finance costs. This is the measure reported to the chief operating decision maker 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 were staff costs of HK\$4,025,000 (six months ended 30.6.2008: HK\$155,000).

### 5. FINANCE COSTS

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

**6. INCOME TAX EXPENSES**

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	<b>12,000</b>	15,613
PRC income tax	<b>14,075</b>	16,687
	<b>26,075</b>	32,300
Under(over)provision in prior year		
Hong Kong Profits Tax	<b>646</b>	—
PRC income tax	<b>(1,240)</b>	241
	<b>(594)</b>	241
Deferred tax:		
Current year	<b>5,464</b>	169
Attributable to change in tax rate	<b>—</b>	750
	<b>5,464</b>	919
	<b>30,945</b>	33,460

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

The PRC income tax is calculated at 20% and 25% (six months ended 30.06.2008: 18% and 25%) of the estimated assessable profits of the subsidiaries.

Deferred tax liabilities in respect of the withholding tax at 5% of the undistributed earnings of subsidiaries has been provided for both periods.

**7. DIVIDENDS**

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<b>HK\$'000</b>	HK\$'000
Final dividend paid in respect of the year ended		
31 December 2008 of 27.9 HK cents		
(year ended 31 December 2007: 26.0 HK cents)		
per ordinary share	<b>72,540</b>	67,600

The Board of Directors has declared on 18 September 2009 that an interim dividend of 9.6 HK cents (six months ended 30.6.2008: 19.3 HK cents) per share amounting to HK\$24,960,000 (six months ended 30.6.2008: HK\$50,180,000) be paid to the shareholders of the Company whose names appear on the Register of Members on 16 October 2009. The interim dividend will be paid on or before 28 October 2009.

## 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\$55,694,000 (six months ended 30.6.2008: restated at HK\$110,100,000) and on 260,000,000 (six months ended 30.6.2008: 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.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$108 million (six months ended 30.6.2008: HK\$64 million) to expand its operations.

The Directors conducted a review of the property, plant and equipment during the period and determined that the recoverable amount of the property, plant and equipment based on the discounted future cash flows was less than the corresponding carrying amounts. Accordingly, impairment loss of HK\$2,935,000 (six months ended 30.6.2008: Nil) has been recognized to the condensed consolidated statement of comprehensive income during the period.

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30.6.2009</b> <b>HK\$'000</b>	31.12.2008 HK\$'000
Equity securities:		
Listed shares in Hong Kong at fair value	<b>18,050</b>	13,585
Debt securities:		
Unlisted club debenture at fair value	<b>1,890</b>	1,840
	<b>19,940</b>	15,425

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

The listed securities detailed above represent an investment in a fellow subsidiary of HK\$18,050,000 (31.12.2008: HK\$13,585,000).

## 11. CALLABLE DEPOSITS

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

One of the Deposits amounting to HK\$77,866,000 has been early redeemed during the period.

**12. 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 at the end of respective reporting periods:

	<b>30.6.2009</b>	31.12.2008
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>16,380</b>	20,345
Overdue under 30 days	<b>55</b>	—
	<b>16,435</b>	20,345

**13. TRADE PAYABLES**

The following is an aged analysis of trade payables at the end of respective reporting periods:

	<b>30.6.2009</b>	31.12.2008
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>808,561</b>	971,176
Overdue under 30 days	<b>93,721</b>	43,257
Overdue over 30 days	<b>75,485</b>	48,165
	<b>977,767</b>	1,062,598

**14. BANK BORROWINGS**

The bank borrowings represent unsecured short term bank borrowings which carry interest at floating rates and are repayable within one year.

**15. CAPITAL COMMITMENTS**

	<b>30.6.2009</b>	31.12.2008
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>27,099</b>	14,108
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<b>68,921</b>	81,254

## 16. PLEDGED BANK DEPOSITS

As at 30 June 2009, bank deposits of HK\$12.5 million (31.12.2008: HK\$7.7 million) were pledged to banks for guarantee to landlords for rental deposits, whereas nil (31.12.2008: HK\$4.6 million) for guarantee to suppliers for trade purchases respectively.

## 17. RELATED PARTY TRANSACTIONS

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

Nature of transaction		Six months ended	
		30.6.2009 HK\$'000	30.6.2008 HK\$'000
Fellow subsidiaries	Franchise fee, consumable expenses and purchase of machines	264	—
	Interest income	132	—
	Commission for credit facilities provided to customers	5,267	5,533
	Purchase of goods	61,247	57,190
	Rental income	3,731	3,520
	Dividend income	—	568
	Outsourcing service fee	1,226	—
	Other income	98	—
Ultimate holding company	Royalty expenses	16,263	15,287
Minority shareholders of the subsidiaries	Rental and management fees and utilities expenses	24,900	24,217
Related company	Purchase of goods	203	354

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

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:

	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Amounts due from minority shareholders of the subsidiaries	5,521	5,530



## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 October 2009 to 16 October 2009 (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 14 October 2009.

## BUSINESS REVIEW

For the six months ended 30 June 2009, the Group recorded revenue of HK\$2,815.7 million, representing a moderate 8% growth from HK\$2,601.1 million for the last corresponding period. The sustained growth was mainly driven by the new stores added during the period as well as special promotions to boost sales in the economic downturn. The promotional sales, however, caused gross profit margin to drop to 31.9% from 34.0% in the last corresponding period. This, plus the below expectation performance of the south China business as affected by the undesirable economic environment, several new stores still in investment stage and impairment loss arising from certain refundable prepaid rental not being accepted in arbitration, dragged down profit attributable to shareholders to HK\$55.7 million (2008: HK\$110.1 million).

During the first half of 2009, the Hong Kong economy was still weak with unemployment rate rising and consumption sentiment declining. However, thanks to the new stores added and rounds of promotional sale launched during the period, the Group's Hong Kong operations recorded HK\$1,585.9 million in revenue, a 7% growth against HK\$1,488.8 million in the last corresponding period albeit the partial closure of JUSCO Tsuen Wan Store for renovation. Segment result for the period rose 11% from HK\$85.3 million to HK\$94.9 million, mainly attributable to increased revenue and effective cost saving measures.

During the period, the Group opened two stores in Shatin and Lai Chi Kok which delivered satisfactory performances. JUSCO Tsuen Wan Store was renovated and re-opened in May with an enhanced shopping environment to serve customers with strong spending power in the district. As at the end of the review period, the Group had 31 stores operating in densely populated residential districts in Hong Kong.

Economies in south China were not spared in the economic downturn and as a result the Group's operations in the PRC were also affected. Attributable to the new stores opened in Foshan and Shenzhen and full six months contribution from the Huizhou Store, the Group recorded a 11% increase in revenue from the PRC market, rising from HK\$1,112.3 million in the last corresponding period to HK\$1,229.9 million in the review period. As for the established stores, however, they felt the pressure from the economic downturn and because of that and the newly opened stores still in investment stage, together with the impairment loss arising from refundable prepaid rental of HK\$13 million not being accepted in arbitration, the PRC operations recorded loss of HK\$3.2 million (2008: profit of HK\$65.1 million) for the first half of 2009.

As at 30 June 2009, the Group operated 15 stores in south China.

During the review period, staff cost to revenue improved from 11.0% to 10.4%, a result of effective cost trimming measures, whereas rental cost to revenue went up from 10.1% to 11.3%. Excluding the impairment loss of prepaid rental, the ratio of rental cost to revenue should have been up slightly from 10.1% to 10.9%.

The Group maintained a stable net cash position with cash and bank balance of HK\$1,485 million as at 30 June 2009 (31 December 2008: HK\$1,619 million) and short-term bank borrowings of HK\$141 million (31 December 2008: HK\$152 million). The borrowings were denominated in Renminbi bearing interest calculated with reference to the People's Bank of China lending rate.

The Group's bank deposits of HK\$12.5 million (31 December 2008: HK\$7.7 million) were pledged to banks for guarantee to landlords for rental deposits, whereas nil (31 December 2008: HK\$4.6 million) for guarantee to suppliers for trade purchases respectively.

## **BUSINESS REVIEW (Continued)**

Capital expenditure for the period amounted to HK\$108 million, which was used to fund renovation of an existing store and opening of new 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 was settled in foreign currencies.

## **PROSPECTS**

### **HONG KONG OPERATIONS**

As the Hong Kong economy is expected to remain weak given the slow resolution of the global financial crisis, consumers will continue to be cautious in spending, which will be a challenge to the Group's business. However, there are signs that the retail market is gradually recovering. According to the Census and Statistics Department, total volume of retail sales had a 0.4% rebound in the second quarter of 2009 against the first quarter. The Group believes the retail market will take time to pick up, but it is positive about the performance of its operations in Hong Kong in the medium to long run.

To maintain sales performance in the tough market environment, the Group will carry out more innovative and effective sales promotion campaigns. It will also target to open one more store in Tseung Kwan O in December 2009 to meet the demand of the growing number of residents in the district. The Group will look for more locations suitable for opening new stores to strengthen its retail outlet network.

On 7 July 2009, the environmental levy scheme on plastic shopping bags took effect requiring prescribed retailers to collect a 50 HK cents environmental levy from customers for providing each plastic shopping bag with handle. As a responsible retailer and keen supporter of environmental protection, AEON Stores set up an internal working group and provided training to its frontline staff in relation to the scheme to make sure of its smooth operation. However, the newly implemented scheme may have impact on customers' purchasing habits, especially in supermarket area. The Group hopes the negative impact of the scheme on the retail industry will recede when the public gradually gets used to the scheme.

### **PRC OPERATIONS**

Although the PRC economy is also adversely affected by the global economic downturn, with the Chinese Government having promptly launched different initiatives to stimulate domestic consumption, the management believes the PRC market, especially economies in south China, will rebound gradually later this year. To capture related opportunities, the Group plans to open two more stores in Guangzhou in the second half of 2009. It will continue to increase retail outlets at suitable locations so as to achieve greater economies of scale, boost its brand in the PRC and ultimately accelerate growth in the market.

## **HUMAN RESOURCES**

As at 30 June 2009, the Group had approximately 6,900 full-time and 1,700 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 at enhancing the quality and skills of its staff. Concurrently, it will seek to create an environment where employees can grow and enjoy a sense of camaraderie as well as loyalty to the Group.

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2009, the interests of the Directors and their associates 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	Approximate percentage of interests in the issued share capital of the Company %
LAM Man Tin	20,000	—	0.008
Yutaka FUKUMOTO	70,000	—	0.027
WONG Mun Yu	18,000	—	0.007
Akihito TANAKA	50,000	—	0.019
Kazumasa ISHII	40,000	—	0.015
LAM PEI Peggy	200,000	—	0.077
SHAO Kung Chuen	4,000	4,000	0.003

### (B) AEON CO., LTD., THE COMPANY'S ULTIMATE HOLDING COMPANY

Name of Directors	Number of shares held as personal interests	Approximate percentage of interests %
Akihito TANAKA	13,900	0.0017
Masaaki TOYOSHIMA	9,300	0.0012
Kazumasa ISHII	9,000	0.0011

### (C) OTHER ASSOCIATED CORPORATIONS

	Akihito TANAKA Number of shares held	Approximate percentage of interests %
AEON Fantasy Co., Ltd.	3,801	0.021
AEON Thana Sinsap (Thailand) Plc.	20,000	0.008
AEON Mall Co., Ltd.	4,000	0.003
AEON Co. (M) Bhd.	400,000	0.110
Ryukyu JUSCO Co., Ltd.	100	0.018

All the shares held are personal interests.

Other than as disclosed above, at 30 June 2009, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares and convertible bonds of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2009, 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	28,552,000 (Note 2)	10.98

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 2009.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2009, 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 2009 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 period 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 six months ended 30 June 2009.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2009 with management.

## **PUBLIC FLOAT**

The Company's public float as at 18 September 2009 was approximately 17.24% which was less than the percentage threshold required under Rule 8.08 of the Listing Rules. The Company is still in the process of considering steps to restore the public float to 25% in compliance with Rule 8.08 of the Listing Rules.

By Order of the Board  
**LAM Man Tin**  
*Managing Director*

Hong Kong, 18 September 2009