

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2013 INTERIM RESULTS

The Board of Directors (the “Board”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group” or “AEON”) for the 6 months ended 30 June 2013 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended	
		<u>30.6.2013</u> HK\$'000 (unaudited)	<u>30.6.2012</u> HK\$'000 (unaudited)
Revenue	3	4,150,944	3,582,372
Other income		332,900	284,674
Investment income		11,452	13,467
Purchase of goods and changes in inventories		(2,850,690)	(2,420,920)
Staff costs		(514,990)	(417,725)
Depreciation		(98,701)	(74,700)
Impairment loss recognised in respect of property, plant and equipment		(93,275)	(9,726)
Gain on fair value change of an investment property		30,000	30,000
(Loss) gain on disposal of property, plant and equipment		(334)	85
Pre-operating expenses		(6,441)	(23,770)
Other expenses		(1,010,893)	(786,667)
Finance costs		(188)	(578)
(Loss) profit before tax		<u>(50,216)</u>	<u>176,512</u>
Income tax credit (expense)	4	<u>9,992</u>	<u>(27,857)</u>
(Loss) profit for the period		<u>(40,224)</u>	<u>148,655</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(26,341)	133,130
Non-controlling interests		(13,883)	15,525
		<u>(40,224)</u>	<u>148,655</u>
(Loss) earning per share - Basic	6	<u>(10.13) HK cents</u>	<u>51.20 HK cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	Six months ended	
	<u>30.6.2013</u>	<u>30.6.2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(40,224)</u>	<u>148,655</u>
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Fair value (loss) gain on available-for-sale investments	(1,400)	3,465
Exchange differences arising on translation of foreign operations	<u>7,290</u>	<u>(2,174)</u>
Other comprehensive income for the period	<u>5,890</u>	<u>1,291</u>
Total comprehensive (expense) income for the period	<u><u>(34,334)</u></u>	<u><u>149,946</u></u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(23,406)	135,193
Non-controlling interests	<u>(10,928)</u>	<u>14,753</u>
	<u><u>(34,334)</u></u>	<u><u>149,946</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013**

	<u>NOTES</u>	<u>30.6.2013</u> <u>HK\$'000</u> (unaudited)	<u>31.12.2012</u> <u>HK\$'000</u> (audited)
Non-current Assets			
Goodwill		94,838	94,838
Property, plant and equipment		804,872	873,445
Investment property		540,000	510,000
Available-for-sale investments		30,654	32,054
Time deposits		-	1,535
Deferred tax assets		55,747	33,543
Rental deposits		154,124	151,751
Pledged bank deposits		33,562	28,496
		<u>1,713,797</u>	<u>1,725,662</u>
Current Assets			
Inventories		756,303	769,666
Trade receivables	7	48,968	37,344
Other receivables, prepayments and deposits		185,061	152,067
Amounts due from fellow subsidiaries		98,058	113,723
Time deposits		104,231	180,207
Pledged bank deposits		18,702	-
Income tax recoverable		4,878	16,378
Bank balances and cash		1,952,080	2,060,309
		<u>3,168,281</u>	<u>3,329,694</u>
Current Liabilities			
Trade payables	8	1,342,330	1,451,899
Other payables and accrued charges		1,392,310	1,417,257
Amount due to ultimate holding company		71,184	45,045
Amounts due to fellow subsidiaries		74,734	74,078
Obligation under a finance lease		788	800
Income tax payable		5,200	9,856
Dividend payable		679	867
		<u>2,887,225</u>	<u>2,999,802</u>
Net Current Assets		<u>281,056</u>	<u>329,892</u>
Total Assets Less Current Liabilities		<u>1,994,853</u>	<u>2,055,554</u>
Capital and Reserves			
Share capital		52,000	52,000
Share premium and reserves		1,589,372	1,637,814
Equity attributable to owners of the Company		<u>1,641,372</u>	<u>1,689,814</u>
Non-controlling interests		162,368	173,296
Total Equity		<u>1,803,740</u>	<u>1,863,110</u>
Non-current Liabilities			
Rental deposits received and other liabilities		174,208	169,211
Obligation under a finance lease		3,122	3,409
Deferred tax liabilities		13,783	19,824
		<u>191,113</u>	<u>192,444</u>
		<u>1,994,853</u>	<u>2,055,554</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (HKAS1)

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair Value Measurement (HKFRS13)

The Group has applied HKFRS13 for the first time in the current interim period. HKFRS13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS13, the group has applied the new fair value measurement and disclosure requirements prospectively.

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	<u>30.6.2013</u> HK\$'000	<u>30.6.2012</u> HK\$'000
Direct sales	3,674,847	3,114,123
Income from concessionaire sales	<u>476,097</u>	<u>468,249</u>
Revenue	<u>4,150,944</u>	<u>3,582,372</u>

For the six months ended 30 June 2013

	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	<u>1,942,844</u>	<u>2,208,100</u>	<u>4,150,944</u>
Segment result	<u>23,834</u>	<u>(125,169)</u>	<u>(101,335)</u>
Gain on fair value change of an investment property			30,000
Rental income on an investment property			9,855
Investment income			11,452
Finance costs			<u>(188)</u>
Loss before tax			<u>(50,216)</u>

For the six months ended 30 June 2012

	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	<u>1,668,490</u>	<u>1,913,882</u>	<u>3,582,372</u>
Segment result	<u>60,330</u>	<u>63,577</u>	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			<u>(578)</u>
Profit before tax			<u>176,512</u>

Segment result represents the profit/loss earned/incurred 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. INCOME TAX EXPENSE

	Six months ended	
	<u>30.6.2013</u> HK\$'000	<u>30.6.2012</u> HK\$'000
The (credit) charge comprises:		
Current tax		
Hong Kong	11,500	8,600
Other regions in the PRC	6,346	13,713
	<u>17,846</u>	<u>22,313</u>
Overprovision in prior years		
Other regions in the PRC	<u>(407)</u>	<u>-</u>
Deferred tax		
(Credited) charged to profit or loss	<u>(27,431)</u>	<u>5,544</u>
Income tax (credit) expense for the period	<u>(9,992)</u>	<u>27,857</u>

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% of the estimated assessable profits of the subsidiaries for both periods.

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

5. DIVIDENDS

	Six months ended	
	<u>30.6.2013</u>	<u>30.6.2012</u>
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2012 of 9.7 HK cents (six months ended 30.6.2012: 35.9 HK cents for 2011 final dividend) per ordinary share	<u>25,220</u>	<u>93,340</u>

The Board of Directors has not recommended any interim dividend for the current interim period (six months ended 30.6.2012: 16.5 HK cents).

6. (LOSS) EARNING PER SHARE

The calculation of basic (loss)/earning per share attributable to the owners of the Company is based on the Group's loss for the period attributable to the owners of the Company of HK\$26,341,000 (six months ended 30.6.2012: profit of HK\$133,130,000) and on 260,000,000 (six months ended 30.6.2012: 260,000,000) ordinary shares in issue during the period.

No diluted (loss)/earning per share have been presented as there are no potential ordinary shares in issue for both periods.

7. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of reporting periods:

	<u>30.6.2013</u>	<u>31.12.2012</u>
	HK\$'000	HK\$'000
Within 30 days	<u>48,968</u>	<u>37,344</u>

8. TRADE PAYABLES

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

	<u>30.6.2013</u>	<u>31.12.2012</u>
	HK\$'000	HK\$'000
0 – 60 days	1,094,340	1,206,831
61 – 90 days	108,278	103,571
Over 90 days	139,712	141,497
	<u>1,342,330</u>	<u>1,451,899</u>

BUSINESS REVIEW

For the six months ended 30 June 2013, the revenue of the Group rose by 15.9% to HK\$4,150.9 million (2012: HK\$3,582.4 million), driven by its expanded retail network in Hong Kong and the PRC. Gross profit margin was slightly adjusted downward from 32.4% to 31.3% due to the increased share of food sales and rising costs over the period. Affected by the unsatisfactory sales performance of the PRC operations, as well as rising operating costs and impairment loss recognised in respect of the property plant and equipment in both Hong Kong and the PRC, the Group recorded a loss attributable to the owners of the Company of HK\$26.3 million (2012: profit of HK\$133.1 million) during the period under review.

In the first half of 2013, Hong Kong's economy was affected by the slowly recovering US economy. Furthermore, retail sales were more volatile in the first quarter because of the different dates of the Chinese New Year in 2013 from last year. The well-established brand in Hong Kong and ongoing support of loyal customers helped boost revenue from the Hong Kong operations by 16.4% to HK\$1,942.8 million. Segment profit, however, dropped to HK\$23.8 million compared with HK\$60.3 million recorded in the last corresponding period attributable to surging costs, as well as impairment loss on property plant and equipment of HK\$24 million (2012: HK\$9.7 million).

In the first half of 2013, the Group opened a new store in Lok Ma Chau to provide quality merchandise at reasonable prices to customers in the northern district of Hong Kong. As at 30 June 2013, the Group operated a total of 43 stores in the territory.

The PRC market experienced a situation similar to Hong Kong in some respects with slower economic growth further dampening market sentiment. The revenue from the PRC operations climbed from HK\$1,913.9 million to HK\$2,208.1 million, a healthy 15.4% rise mainly driven by the expanded store network. Nonetheless, due to unsatisfactory store performance brought about by the slowdown in economic growth, rising operating costs, and an increase in impairment loss recognised in respect of the Group's property, plant and equipment of HK\$69.3 million (2012: Nil), the segment recorded a loss of HK\$125.2 million (2012: profit of HK\$63.6 million). During the period under review, the Group opened two stores in the PRC, one in Huizhou and the other in Guangzhou. As at 30 June 2013, the Group operated a total of 28 stores in south China.

During the review period, the ratio of staff cost to revenue rose from 11.7% to 12.4%, and the ratio of rental cost to revenue increased to 11.8% from 10.6%. The two ratios rose because several stores were newly opened in Hong Kong and the PRC in the second half of 2012, and their revenue contributions had not been fully developed during the period under review.

The Group maintained a strong net cash position with cash and bank balances and short term time deposits of HK\$2,056 million as at 30 June 2013 (31 December 2012: HK\$2,241 million). The Group had no bank borrowings as at the end of the review period.

As at 30 June 2013, deposits of HK\$32.3 million (31 December 2012: HK\$28.5 million) were pledged as guarantees to landlords for rental deposits. Deposits of HK\$15 million (31 December 2012: Nil) and HK\$5 million (31 December 2012: Nil) were pledged as guarantees to regulatory bodies for gift cards sold and to suppliers for purchase of merchandise respectively.

Capital expenditure for the period amounting to HK\$116.4 million was used for opening new stores, store renovations and head office removal in Hong Kong. The Group continues 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

In the near future, the Group still faces a number of challenges in the operational environment. The retail industry and consumer sentiment in Hong Kong and south China will be adversely affected by slower economic growth, as well as the stock market volatility, while the Group's operations in both markets encounter rising costs across various fronts. After rapid expansion in the past two years, the Group's first priority is focusing its resources on optimising the sales performance of the newly opened stores, and boosting the same store sales performance of the established stores, for example, in both situations by enhancing the merchandise mix to better meet customers' needs. To reduce costs and raise profitability, the Group is taking prudent measures to strengthen cost control and increase operational efficiency without compromising satisfactory customer services. By executing this two-pronged strategy, the Group expects that its results will gradually improve when the new stores deliver satisfactory performance and the existing stores achieve better same-store-sales growth. Aiming to sustain the growth momentum in the mid-to-long-run, the Group remains prudent about its prospects and will continue to cautiously expand its business. In particular, the Group still sees great potential for further business growth in the PRC market and will consider opening specialty stores with more flexibility in site location at a lower investment cost in the country when good opportunities arise.

HUMAN RESOURCES

As at 30 June 2013, the Group had approximately 8,900 full-time and 1,800 part-time employees in Hong Kong and the PRC. The Group competitively remunerates employees based on their performance, experience and the prevailing practices of the industry. As part of its commitment to delivering the highest standards of service to all of 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, 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 2013 with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules save as disclosed below.

Code provision A.6.7 of the CG Code requires all independent non-executive directors and non-executive directors should attend general meeting of listed issuers. Mr. TSUJI Haruyoshi, a Non-executive Director, and Prof. LAM PEI Peggy, an Independent Non-executive Director, were unable to attend the annual general meeting of the Company held on 24 May 2013 due to their other business engagements.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. OKUNO Yoshinori, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 24 May 2013 due to his other business engagements.

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 2013.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2013 with management.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2013 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

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

Hong Kong, 23 August 2013

As at the date of this announcement, the Executive Directors are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki, Ms. Chan Suk Jing and Mr. Chak Kam Yuen; the Non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu; and the Independent Non-executive Directors are Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna, and Ms. Chan Yi Jen Candi Anna.