



AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2013 Interim Report

Stock Code: 984



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

SHAM Sui Leung Daniel
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna

NOMINATION COMMITTEE

OKUNO Yoshinori (*Chairman*)
SHAM Sui Leung Daniel
CHENG Yin Ching Anna

REMUNERATION COMMITTEE

SHAM Sui Leung Daniel (*Chairman*)
OKUNO Yoshinori
CHENG Yin Ching Anna

AUDIT COMMITTEE

SHAM Sui Leung Daniel (*Chairman*)
OKUNO Yoshinori
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna

COMPANY SECRETARY

CHAN Kwong Leung Eric

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Mizuho 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

7/F., D2 Place
9 Cheung Yee Street
Lai Chi Kok, Kowloon
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STOCK CODE

984

WEBSITE

www.aeonstores.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 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	
		30.6.2013 HK\$'000 (unaudited)	30.6.2012 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	9	(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	4	(6,441)	(23,770)
Other expenses		(1,010,893)	(786,667)
Finance costs	5	(188)	(578)
(Loss) profit before tax		(50,216)	176,512
Income tax credit (expense)	6	9,992	(27,857)
(Loss) profit for the period		(40,224)	148,655
(Loss) profit for the period attributable to:			
Owners of the Company		(26,341)	133,130
Non-controlling interests		(13,883)	15,525
		(40,224)	148,655
(Loss) earning per share — Basic	8	(10.13) HK cents	51.20 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)
(Loss) profit for the period	(40,224)	148,655
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	7,290	(2,174)
Other comprehensive income for the period	5,890	1,291
Total comprehensive (expense) income for the period	(34,334)	149,946
Total comprehensive (expense) income attributable to:		
Owners of the Company	(23,406)	135,193
Non-controlling interests	(10,928)	14,753
	(34,334)	149,946

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	30.6.2013 HK\$'000 (unaudited)	31.12.2012 HK\$'000 (audited)
Non-current Assets			
Goodwill		94,838	94,838
Property, plant and equipment	9	804,872	873,445
Investment property	9	540,000	510,000
Available-for-sale investments	10	30,654	32,054
Time deposits	11	—	1,535
Deferred tax assets		55,747	33,543
Rental deposits		154,124	151,751
Pledged bank deposits	12	33,562	28,496
		1,713,797	1,725,662
Current Assets			
Inventories		756,303	769,666
Trade receivables	13	48,968	37,344
Other receivables, prepayments and deposits		185,061	152,067
Amounts due from fellow subsidiaries		98,058	113,723
Time deposits	11	104,231	180,207
Pledged bank deposits	12	18,702	—
Income tax recoverable		4,878	16,378
Bank balances and cash		1,952,080	2,060,309
		3,168,281	3,329,694
Current Liabilities			
Trade payables	14	1,342,330	1,451,899
Other payables and accrued charges		1,392,310	1,417,257
Amount due to ultimate holding company	15	71,184	45,045
Amounts due to fellow subsidiaries	15	74,734	74,078
Obligation under a finance lease		788	800
Income tax payable		5,200	9,856
Dividend payable		679	867
		2,887,225	2,999,802
Net Current Assets		281,056	329,892
Total Assets Less Current Liabilities		1,994,853	2,055,554
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		1,641,372	1,689,814
Non-controlling interests		162,368	173,296
Total Equity		1,803,740	1,863,110
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
		191,113	192,444
		1,994,853	2,055,554

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2012 (audited)	52,000	63,158	19,738	36,258	18,465	57,020	1,332,138	1,578,777	183,949	1,762,726
Profit for the period	–	–	–	–	–	–	133,130	133,130	15,525	148,655
Other comprehensive income (expense) for the period	–	–	3,465	(1,402)	–	–	–	2,063	(772)	1,291
Total comprehensive income (expense) for the period	–	–	3,465	(1,402)	–	–	133,130	135,193	14,753	149,946
Dividends recognised as distribution	–	–	–	–	–	–	(93,340)	(93,340)	–	(93,340)
At 30 June 2012 (unaudited)	52,000	63,158	23,203	34,856	18,465	57,020	1,371,928	1,620,630	198,702	1,819,332
Profit (loss) for the period	–	–	–	–	–	–	105,782	105,782	(3,592)	102,190
Other comprehensive income for the period	–	–	4,919	1,383	–	–	–	6,302	797	7,099
Total comprehensive income (expense) for the period	–	–	4,919	1,383	–	–	105,782	112,084	(2,795)	109,289
Transfer, net of non-controlling interests share	–	–	–	–	8,548	6,995	(15,543)	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	(42,900)	(42,900)	–	(42,900)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(22,611)	(22,611)
At 31 December 2012 (audited)	52,000	63,158	28,122	36,239	27,013	64,015	1,419,267	1,689,814	173,296	1,863,110
Loss for the period	–	–	–	–	–	–	(26,341)	(26,341)	(13,883)	(40,224)
Other comprehensive (expense) income for the period	–	–	(1,400)	4,335	–	–	–	2,935	2,955	5,890
Total comprehensive (expense) income for the period	–	–	(1,400)	4,335	–	–	(26,341)	(23,406)	(10,928)	(34,334)
Dividends recognised as distribution	–	–	–	–	–	–	(25,220)	(25,220)	–	(25,220)
Unclaimed dividends forfeited	–	–	–	–	–	–	184	184	–	184
At 30 June 2013 (unaudited)	52,000	63,158	26,722	40,574	27,013	64,015	1,367,890	1,641,372	162,368	1,803,740

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 2013

	Six months ended	
	30.6.2013 HK\$'000 (unaudited)	30.6.2012 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	102,355	220,788
Decrease in trade payables	(122,762)	(220,984)
Increase (decrease) in rental deposits received, other payables and accrued charges	1,255	(135,597)
Increase in amount due to ultimate holding company	26,139	26,476
Decrease in inventories	18,558	81,771
Increase (decrease) in trade receivables	(11,388)	4,871
Increase in other receivables, prepayments and deposits	(33,549)	(28,010)
Decrease in amounts due from fellow subsidiaries	15,817	47,964
Others	655	(274)
Cash Used in Operations	(2,920)	(2,995)
People's Republic of China income taxes paid	(10,720)	(38,139)
Interest paid	(188)	(578)
Interest on bank deposits and time deposits received	11,452	13,467
Net Cash Used in Operating Activities	(2,376)	(28,245)
Investing Activities		
Purchase of property, plant and equipment	(155,960)	(168,950)
Withdrawal of time deposits	155,984	116,730
Placement of time deposits	(77,660)	(226,108)
Withdrawal of pledged bank deposits	—	12,868
Placement of pledged bank deposits	(23,030)	(3,297)
Proceeds from disposal of property, plant and equipment	133	166
Net Cash Used in Investing Activities	(100,533)	(268,591)
Financing Activities		
Dividend paid	(25,224)	(93,079)
Repayment of bank borrowings	—	(12,255)
Others	(371)	—
Cash Used in Financing Activities	(25,595)	(105,334)
Net Decrease in Cash and Cash Equivalents	(128,504)	(402,170)
Cash and Cash Equivalents at 1 January	2,060,309	2,178,184
Effect of Foreign Exchange Rate Changes	20,275	(4,825)
Cash and Cash Equivalents at 30 June represented by bank balances and cash	1,952,080	1,771,189

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 34 (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 the HKICPA that are mandatorily effective for the current interim period.

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

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 income 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 10 Consolidated Financial Statements (HKFRS 10)

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)—Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company has made an assessment of the application of HKFRS 10 and concluded that the application of the standard has had no significant impact on the financial results or position of the Group for the current interim period or prior periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair Value Measurement (HKFRS 13)

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 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 HKAS 34 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. HKFRS 13 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments to HKAS 34 are set out in note 10 and additional disclosure in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's investment property, will be presented in the consolidated financial statements for the year ending 31 December 2013.

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

For the six months ended 30 June 2013

	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue — external	1,942,844	2,208,100	4,150,944
Segment result	23,834	(125,169)	(101,335)
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			(188)
Loss before tax			(50,216)

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 result	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

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. PRE-OPERATING EXPENSES

The amounts represent the set up costs for new stores. Included in pre-operating expenses are staff costs of HK\$4,979,000 (six months ended 30.6.2012: HK\$13,549,000).

5. FINANCE COSTS

	Six months ended	
	30.6.2013 HK\$'000	30.6.2012 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	—	578
A finance lease	188	—
	188	578

6. INCOME TAX EXPENSE

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

6. INCOME TAX EXPENSE (Continued)

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.

7. DIVIDENDS

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

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).

8. (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.

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$116,417,000 (six months ended 30.6.2012: HK\$177,855,000) to expand its operations.

Certain stores of the Group have been experiencing recurring losses or performing below budget. The Management considered there were impairment indicators and hence conducted impairment assessment on the relevant stores, which constitutes individual cash-generating units ("CGU") for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use of the stores to which the relevant assets belong. 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 with growth rates ranging from 0% to 50%, and at a discount rate of 7% or 10%. 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. Accordingly, an impairment loss of HK\$93,275,000 (six months ended 30.06.2012: HK\$9,726,000) has been recognised in respect of property, plant and equipment of the Group, which have been allocated to the building fixtures of property, plant and equipment.

As at 30 June 2013, accumulated impairment loss on property, plant and equipment of the Group is HK\$165,174,000 (31.12.2012: HK\$71,899,000).

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (Continued)

The fair value of the Group's investment property at 30 June 2013 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 2013 (six months ended 30.6.2012: HK\$30,000,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2013 HK\$'000	31.12.2012 HK\$'000
Available-for-sale investments comprise:		
Equity securities:		
Listed shares in Hong Kong at fair value (note a)	28,304	29,704
Unlisted club debenture at fair value (note b)	2,350	2,350
	30,654	32,054

Notes:

- (a) The listed shares in Hong Kong as at 30 June 2013 represents an investment in a fellow subsidiary of HK\$28,304,000 (31.12.2012: HK\$29,704,000). The fair value of this investment is determined based on the quoted market bid prices available on the stock exchange. The fair value of this investment was classified as Level 1 of the fair value hierarchy. There were no transfers between Level 1 and 2.
- (b) The fair value of the unlisted club debenture as at 30 June 2013 is determined based on selling price of similar club debenture that is traded in the active market. The fair value of this investment was classified as Level 2 of the fair value hierarchy. There were no transfer between Level 1 and 2.

11. TIME DEPOSITS

As at 31 December 2012, time deposits represent Renminbi-denominated time deposits amounting to HK\$26,102,000 and United States dollar-denominated time deposits amounting to HK\$155,640,000 with an original maturity of three months or more to five years. The average effective interest rate of Renminbi-denominated and United States dollar-denominated time deposits was 3.07% and 0.65% per annum, respectively.

As at 30 June 2013, time deposits represents Renminbi-denominated time deposits amounting to HK\$26,751,000 and United States dollars-denominated time deposit amounting to HK\$77,660,000 with an original maturity of three months or more to five years. The average effective interest rate of Renminbi-denominated and United States dollar-denominated time deposits is 3.07% and 0.80% per annum, respectively. The deposits will expire in December 2013. Accordingly these amounts are classified as current.

12. PLEDGED BANK DEPOSITS

	30.6.2013		31.12.2012	
	Non-current	Current	Non-current	Current
Bank deposits were pledged for the following purposes:				
As guarantee to:				
— landlords for rental deposits	28,561	3,697	28,496	—
— suppliers for purchase of merchandise	5,001	—	—	—
	33,562	3,697	28,496	—
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	—	15,005	—	—
	33,562	18,702	28,496	—

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, which approximated the revenue recognition date, at the end of reporting periods:

	30.6.2013 HK\$'000	31.12.2012 HK\$'000
Within 30 days	48,968	37,344

14. TRADE PAYABLES

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

	30.6.2013 HK\$'000	31.12.2012 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
	1,342,330	1,451,899

15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

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 reporting periods.

16. CAPITAL COMMITMENTS

	30.6.2013 HK\$'000	31.12.2012 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	29,615	33,028
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for in the condensed consolidated financial statements	20,962	45,197

17. RELATED PARTY TRANSACTIONS

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

Capacity	Nature of transaction	Six months ended	
		30.6.2013 HK\$'000	30.6.2012 HK\$'000
Fellow subsidiaries	Commission for credit facilities provided to customers	6,819	5,440
	Franchise fee, consumable expenses and purchase of machines	119	113
	Other income	457	408
	Outsourcing service expense	5,329	3,184
	Purchase of goods	136,785	105,414
	Rental expense	—	90
	Rental income	7,831	5,365
	Sales of goods	428	1,294
	Service fee expense	32,037	11,513
	Service fee income	1,810	2,258
Ultimate holding company	Royalty expenses	23,706	20,959
Non-controlling shareholders of the subsidiaries*	Advertising expenses	2,919	1,442
	Rental expenses, management fees and utilities expenses	27,306	27,025
Directors and key management	Remuneration	6,304	7,733

* 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:

	30.6.2013 HK\$'000	31.12.2012 HK\$'000
Amounts due from non-controlling shareholders of the subsidiaries (included in other receivables, prepayments and deposits)	7,138	6,956

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.

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 1.1.2013	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Reclassified during the period	Outstanding at 30.6.2013	
Directors											
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	6,000	—	—	—	—	—	7,200	13,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	6,000	—	—	—	—	—	7,200	13,200
1.9.2010	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	8,000	—	—	—	—	—	9,600	17,600
	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	9,600	—	—	—	—	—	7,800	17,400
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	9,600	—	—	—	—	—	7,800	17,400
1.9.2011	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	14,400	—	—	—	—	—	10,400	24,800
	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	27,000	—	—	—	—	—	7,800	34,800
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	27,000	—	—	—	—	—	7,800	34,800
31.8.2012	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	36,000	—	—	—	—	—	10,400	46,400
	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	50,400	—	—	—	—	—	3,300	53,700
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	50,400	—	—	—	—	—	3,300	53,700
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	67,200	—	—	—	—	—	4,400	71,600

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying SARs					Outstanding at 30.6.2013	
				Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period		Reclassified during the period
Employees										
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	7,200	—	—	—	—	(7,200)	—
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	7,200	—	—	—	—	(7,200)	—
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	9,600	—	—	—	—	(9,600)	—
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	9,000	—	—	—	—	(7,800)	1,200
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	9,000	—	—	—	—	(7,800)	1,200
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	13,600	—	—	—	—	(10,400)	3,200
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	11,400	—	—	—	—	(7,800)	3,600
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	15,000	—	—	—	—	(7,800)	7,200
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	20,000	—	—	—	—	(10,400)	9,600
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	8,400	—	—	—	—	(3,300)	5,100
	22.290	31.8.2013 to 30.8.2014	31.8.2014 to 30.8.2019	8,400	—	—	—	—	(3,300)	5,100
	22.290	31.8.2014 to 30.8.2015	31.8.2015 to 30.8.2019	11,200	—	—	—	—	(4,400)	6,800
				457,600	—	—	—	—	—	457,600

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 2013, the market value per share was HK\$15.20.

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

As at 30 June 2013, 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	—	262,000	0.103
CHAN Suk Jing	—	—	49,600	0.019
CHAK Kam Yuen	—	—	103,000	0.040
Yutaka AGAWA	12,000	—	—	0.005
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.

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

(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
Yutaka AGAWA	19,017	0.00238
Takashi KOMATSU	2,000	0.00025

(C) OTHER ASSOCIATED CORPORATIONS

Name of Directors	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
Yutaka AGAWA	AEON Co. (M) Bhd.	40,000	0.011

(D) SHARE APPRECIATION RIGHTS

- i. The Share Appreciation Rights of the Company are a form of cash-settled equity derivative. Particulars of the Share Appreciation Rights Schemes of the Company are set out in the section Cash-settled Share-based Payment Transactions above.
- ii. As at 30 June 2013, certain Directors had interests in Share Appreciation Rights of the Company granted under the Share Appreciation Rights Schemes of the Company as follows:

Name of Directors	Capacity	Number of underlying shares of the Company
CHAN Pui Man Christine	Beneficial owner	262,000
CHAN Suk Jing	Beneficial owner	49,600
CHAK Kam Yuen	Beneficial owner	103,000

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

(D) SHARE APPRECIATION RIGHTS (Continued)

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

Name of Directors and date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying SARs					Outstanding at 30.6.2013	
				Outstanding at 1.1.2013	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period		Reclassified during the period
CHAN Pui Man Christine										
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
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	42,000	—	—	—	—	—	42,000
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	42,000	—	—	—	—	—	42,000
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	56,000	—	—	—	—	—	56,000
CHAN Suk Jing										
1.9.2010	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
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	8,400	—	—	—	—	—	8,400
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	8,400	—	—	—	—	—	8,400
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	11,200	—	—	—	—	—	11,200
CHAK Kam Yuen										
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	—	—	—	—	—	7,200	7,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	—	—	—	—	—	7,200	7,200
1.9.2010	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	—	—	—	—	—	9,600	9,600
	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	—	—	—	—	—	7,800	7,800
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	—	—	—	—	—	7,800	7,800
1.9.2011	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	—	—	—	—	—	10,400	10,400
	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	—	—	—	—	—	7,800	7,800
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	—	—	—	—	—	7,800	7,800
31.8.2012	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	—	—	—	—	—	10,400	10,400
	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	—	—	—	—	—	3,300	3,300
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	—	—	—	—	—	3,300	3,300
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	—	—	—	—	—	4,400	4,400

Other than as disclosed above, at 30 June 2013, 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 2013, 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	25,036,000 (Note 2)	9.63

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 45.63% 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 2013.

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 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.

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
CHAK Kam Yuen	Appointed as Executive Director on 15 March 2013
LAM PEI Peggy	Retired as Independent Non-executive Director and resigned as member of Audit Committee, Remuneration Committee and Nomination Committee on 24 May 2013
CHAN Yi Jen Candi Anna	Appointed as Independent Non-executive Director and member of Audit Committee on 24 May 2013
CHENG Yin Ching, Anna	Appointed as member of Nomination Committee and Remuneration Committee on 24 May 2013
SHAO Kung Chuen	Appointed as member of Audit Committee on 24 May 2013 Resigned as Independent Non-executive Director, Chairman of Remuneration Committee and member of Audit Committee and Nomination Committee on 9 August 2013
Sham Sui Leung, Daniel	Appointed as Chairman of Remuneration Committee on 23 August 2013

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 2013, 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 2013 are as follows:

Name of Directors	Emoluments HK\$
CHAN Pui Man Christine	2,101,000
SUZUKI Junichi	2,191,000
CHAN Suk Jing	1,217,000
OKUNO Yoshinori	4,632,000
KOMATSU Takashi	2,753,000
CHENG Yin Ching, Anna	190,000
SHAO Kung Chuen	190,000

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

Hong Kong, 23 August 2013