



**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)

ANNOUNCEMENT OF RESULTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2004

The Board of Directors of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group” or “AEON”) for the 10 months ended 31 December 2004 together with comparative figures for the 12 months ended 29 February 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	1.3.2004 to 31.12.2004	1.3.2003 to 29.2.2004
	<i>(Note 1)</i>	
	<i>NOTES</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3,981,000	4,608,801
Other operating income	176,935	208,195
Investment income	2,488	3,035
Purchases of goods and changes in inventories	(2,940,090)	(3,404,099)
Staff costs	(352,240)	(409,684)
Depreciation	(98,954)	(105,566)
Loss on disposal of property, plant and equipment	(2,330)	(8,510)

Pre-operating expenses		(4,136)	(1,149)
Other operating expenses		(656,067)	(779,987)
Profit from operations		106,606	111,036
Finance costs		(9)	(25)
Profit from operating activities before taxation		106,597	111,011
Income tax expenses	3	(24,430)	(25,489)
Profit before minority interest		82,167	85,522
Minority interest		(2,706)	322
Net profit for the period/year		<u>79,461</u>	<u>85,844</u>
Dividends	4		
– final		22,100	33,800
– interim		10,400	2,600
		<u>32,500</u>	<u>36,400</u>
Earnings per share	5	<u>30.56 cents</u>	<u>33.02 cents</u>

Notes:

1. Change of financial year end date

The financial statements for the current period cover the 10 months period ended 31 December 2004. The corresponding amounts shown for the income statement covered a 12 months period from 1 March 2003 to 29 February 2004 and therefore may not be comparable with amounts shown for the current period.

2. Business and geographical segments

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC") other than Hong Kong. The locations of operations are the basis on which the Group reports its primary segment information.

Geographical segment information about the business by location of assets and market is presented below:

For the period from 1 March 2004 to 31 December 2004

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>2,878,006</u>	<u>1,102,994</u>	<u>3,981,000</u>
RESULT			
Profit from operations	93,209	13,397	106,606
Finance costs	(9)	–	(9)
Profit from ordinary activities before taxation	93,200	13,397	106,597
Income tax expenses	(20,704)	(3,726)	(24,430)
Profit before minority interest	72,496	9,671	82,167
Minority interest	–	(2,706)	(2,706)
Net profit for the period	<u>72,496</u>	<u>6,965</u>	<u>79,461</u>

For the year ended 29 February 2004

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>3,493,438</u>	<u>1,115,363</u>	<u>4,608,801</u>
RESULT			
Profit from operations	100,125	10,911	111,036
Finance costs	(25)	–	(25)
Profit from ordinary activities before taxation	100,100	10,911	111,011
Income tax expenses	(21,468)	(4,021)	(25,489)
Profit before minority interest	78,632	6,890	85,522
Minority interest	–	322	322
Net profit for the year	<u>78,632</u>	<u>7,212</u>	<u>85,844</u>

Business segments

No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

3. Income tax expenses

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
The charge comprises:		
Current period/year		
Hong Kong	22,500	20,748
Other regions in the PRC	4,247	3,437
	26,747	24,185
(Over)underprovision in prior years		
Other regions in the PRC	(521)	584
	26,226	24,769
Deferred tax (credit) charge		
Current period/year	(1,796)	1,643
Attributable to a change in tax rate	–	(923)
	(1,796)	720
Income tax expenses for the period/year	24,430	25,489

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

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

4. Dividends

The Board of Directors has recommended a final dividend of 8.5 HK cents per share (year ended 29.2.2004: 13 HK cents) to be paid on or before 16 June 2005, subject to shareholders' approval at the forthcoming annual general meeting on 6 May 2005. Together with the interim dividend of 4 HK cents (year ended 29.2.2004: 1 HK cent) distributed in November 2004, this represented a total dividend of 12.5 HK cents (year ended 29.2.2004: 14 HK cents) per share for the period.

5. Earnings per share

The calculation of earnings per share is based on the Group's net profit for the current period of HK\$79,461,000 (1.3.2003 to 29.2.2004: HK\$85,844,000) and on 260,000,000 (1.3.2003 to 29.2.2004: 260,000,000) ordinary shares in issue during the period/year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3 May 2005 to 6 May 2005 (both days inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the annual general meeting for 2005 and the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrars, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 29 April 2005.

FINANCIAL REVIEW

As a result of the change of year end date, turnover of the Group decreased 14% to HK\$3,981 million. Yet, with the same 10 months reporting basis, the Group managed to have 8% increase in turnover, thanks to the pleasing sales of existing stores together with the newly opened stores in the PRC.

With the improvement of the operating results of our stores and we could maintain the gross margin at 26.1%, the Group's net profit decreased only 7% to HK\$79 million.

The staff costs to turnover ratio dropped 0.1% to 8.8% while rental costs to turnover ratio also dropped 0.1% to 7.9%.

At end of December 2004, the Group maintained a solid financial position with no bank borrowings, and cash on hand was over HK\$776 million as compared with HK\$832 million as at 29 February 2004.

Capital expenditure during the period amounted to HK\$82 million. It mainly incurred for the renovation of existing stores, opening of the Foshan Store and Shenzhen East Lake Store in the PRC and 3 independent JUSCO \$10 Plaza in Hong Kong.

The Group will continue to finance its capital expenditure by internal resources and short-term bank borrowings.

Exchange rate fluctuations had no material impact on the Group as less than 5% of the total purchases are settled in foreign currencies.

BUSINESS REVIEW

Retail market witnessed positive market sentiment in both Hong Kong and the PRC during 2004. Riding on the waves of optimism toward the future and enthusiasm in spending, the global economy has been recovering, with previous uncertainties giving way to significant improvement in economic conditions. Furthermore, the booming property market and the relaxation of the PRC travellers had also enhanced the economy, resulting in a good market sentiment in Hong Kong throughout the period. Meanwhile, the retail market in the PRC remains strong, with the continuous rise in living standard and the PRC customers pursuing reputable brands with quality merchandise.

Hong Kong Operations

Driven by the continued positive market sentiment and shopping-spree atmosphere around the city, together with the increasing tourist volume - particularly travellers from the PRC since 2004, Hong Kong people seemed to be fast catching up with the spending desires. Our sales in Hong Kong recorded HK\$2,878 million for the 10 months ended 31 December 2004, decreased 18% as compared with last year. When compared under the same period basis, turnover in 2004 has a positive growth of 2%. The slight sales increment was due to the closure of the Tsz Wan Shan Store in January 2004. Given a sound performance during the period, profit from operations decreased only 7% to HK\$93 million.

The satisfactory results were attributed partly to our successful introduction of a “new concept” JUSCO in Tseung Kwan O. During the period, we closed our Tseung Kwan O Store partially from March to May 2004 for renovation. The supermarket has been expanded into the largest of all JUSCO stores in Hong Kong providing different kinds of hot and cold food items, as well as ready-to-eat delicatessen to meet the needs of young working couples and nucleus families nearby. Meanwhile, other GMS also continued to perform well by committing to provide customers with merchandise and a shopping environment that guaranteed “safety”, “confidence” and “trust”, which became our edge in the competitive retail industry in Hong Kong.

Moreover, our dedication to providing customers with a rich product-mix at reasonable prices has also been one of the attributable factors to the satisfactory results. Our product branding, TOPVALU, has long been recognised as “value-for-money” and our competitive tool of differentiation from our competitors. The brand caters to a full range of daily necessities established a brand reputation for stringent selection, safety, environmental friendliness and customer-guided product development.

In 2004, we further expanded our JUSCO \$10 Plaza network, with new locations at Tseung Kwan O, North Point and Jordan. We have now established a total of 7 JUSCO \$10 Plaza strategically located around Hong Kong. With quality source of supply, unit price and prime locations, our stores were well received by customers.

PRC Operations

The PRC business remained strong and has been our driving force during the period. Sales reached HK\$1,103 million, decreased 1% compared with last year, but if with the same period basis reflected a surge of 27% in sales. Profit from operations significantly increased 23% to HK\$13 million for the 10 months period ended 31 December 2004. The full-period operation of the Zhongshan Store, together with the newly opened Foshan Store and Shenzhen East Lake Store attributed to the sales improvement of the GMS operation in the PRC. Despite the keen competition, leveraging its highly recognised “JUSCO” brand, AEON Stores has further established a concrete footprint in the PRC. The prime locations, together with an excellent selection of daily necessities at reasonable prices, attract customers to shop frequently. The growing GDP and the general rise in living standards in the PRC were also essential factors that contributed to the satisfactory results during the period.

During the period, the Group established a wholly owned subsidiary, AEON (China) Co., Limited (“AEON China”). AEON China was granted a license to open new GMS in the PRC. The new company, which focuses on merchandise sourcing and providing logistics support for the Group and store development in the Pearl River Delta region, will significantly boost the Group’s operational efficiency. The Group believes that the new move will also enable it to further explore the tremendous business opportunities in the PRC. In order to serve as a procurement centre for AEON Stores, AEON China is working with

the Group's sister company AIC Inc. and its subsidiaries. We believe that this business move will optimise resources allocation for the Group and create synergies among our members.

Human Resources

As at 31 December 2004, the Group employed about 3,300 full-time and 3,400 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices in the industry.

PROSPECTS

Hong Kong Operations

We remain optimistic about Hong Kong's retail market in view of the benefits brought by relaxation of travel restrictions for mainland travellers under the Individual Traveller Scheme. Meanwhile, with the overall market sentiment being improved by the booming property market and the revitalisation of Hong Kong's retail industry, we believe the retail market will continue to be positive in the coming year.

In the coming year, the Group will continue to look for appropriate sites for opening new GMS and JUSCO \$10 Plaza that can serve the communities in high-density residential areas along major mass transportation networks by taking full advantage of busy customer traffic. In the meantime, the Tai Po Store will have renovation in mid 2005. We aim at providing a store that fits the customer needs of the district. Partial section will be closed and the renovation is expected to be completed in July this year.

In January 2005, the Group has announced the opening of an independent Supermarket at apm, the retail flagship mall of Sun Hung Kai Properties, in Kwun Tong. The investment is approximately HK\$20 million which is financed by internal resources. This new store

will open in May 2005, covering a total floor area of about 33,000 square feet. JUSCO Supermarket will carry cutting-edge products. Adopting the operative model used in Japan, our new store will be the first supermarket detached from GMS of AEON Stores in Hong Kong. Building on the solid foundation of GMS, the Group will venture into supermarkets tailored for customers looking for modern life style. JUSCO Supermarket will be operated with a unique approach entailing the offering of a great variety of merchandises, especially on our private brand “TOPVALU”. Building on our expertise in operating supermarket and in sourcing a wide range of quality merchandise, the Group is confident in adopting this new business mode and views it as an important part of our diversifying source of revenue. The Group is now looking into other possible locations to open more JUSCO Supermarket, aiming to serve the districts that our GMS do not reach.

PRC Operations

Understanding that there are still rooms for expanding our market share in the Shenzhen Special Economic Zone, we are set to open our third GMS in Shenzhen in early July. In addition, a new store at Shunde will also open by the end of 2006.

JUSCO’s brand name will be further promoted in the PRC through development in chain store operation. Apart from that, the Group is now considering the establishment of other business modes to further enhance its reputation and market share in the PRC. Thorough market research and survey will be conducted in order to provide the best services and address the needs of local customers, thereby maximising customer satisfaction.

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

During the 10 months period ended 31 December 2004, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the 10 months period ended 31 December 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be subsequently published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Kazumasa ISHII
Managing Director

Hong Kong, 24 March 2005

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of AEON Stores (Hong Kong) Co., Limited (the “Company”) will be held at Salon 1-3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 6 May 2005 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the 10 months ended 31 December 2004.
2. To declare a final dividend for the 10 months ended 31 December 2004.

3. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(A) “THAT

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to issue or grant offers, agreements, options and warrants which will or might require the exercise of any of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights

Issue, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Rights Issue” means an offer of Shares or offer or issue of warrants or options to subscribe for Shares open for a period fixed by the Directors of the Company to holders of Shares on the Register of Members of the Company or any class thereof on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).

“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”

(B) **“THAT**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which any Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”

(C) “**THAT** conditional upon the passing of the Ordinary Resolutions 5(A) and 5(B) set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such powers pursuant to the Ordinary Resolution 5(A) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the Ordinary Resolution

5(B) set out in the notice convening this meeting, provided that such amount of Shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.”

By Order of the Board
Heng Kwo Seng
Company Secretary

Hong Kong, 24 March 2005

Registered Office:

G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof.
- (3) The Register of Members of the Company will be closed from Tuesday, 3 May 2005 to Friday, 6 May 2005 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for attending and voting at the annual general meeting and the proposed final dividend, all

share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 29 April 2005.

- (4) Further information relating to the Directors proposed to be re-elected at the annual general meeting will be provided in a circular of the Company to be sent to all members together with the Annual Report for the 10 months ended 31 December 2004.
- (5) With reference to the Ordinary Resolutions 5(A) and 5(B) above, the Directors of the Company wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares pursuant to the relevant mandates.
- (6) An explanatory statement containing further details regarding the Ordinary Resolutions 5(A) and 5(B) above will be sent to all members together with the Annual Report for the 10 months ended 31 December 2004.
- (7) If approved, the proposed final dividend will be payable on or before 16 June 2005.

As at the date of this announcement, the executive directors are Mr. Kazumasa Ishii, Mr. Kozo Murata, Mr. Wong Mun Yu and Mr. Lam Man Tin; non-executive directors are Mr. Toshiji Tokiwa, Mr. Motoya Okada and Mr. Tatsuichi Yamaguchi; and independent non-executive directors are Dr. Shao You Bao, Mdm. Lam Pei Peggy, and Mr. Sham Sui Leung Daniel.

Please also refer to the published version of this announcement in The Standard.