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)

2005 INTERIM RESULTS

The Board of Directors of AEON Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group" or "AEON Stores") for the 6 months ended 30 June 2005 together with comparative figures for the 6 months ended 31 August 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	NOTES	**1.1.2005 to 30.6.2005** *HK$'000* **(unaudited)** *(Note 1)*	1.3.2004 to 31.8.2004 *HK$'000* (unaudited)
Turnover	*3*	**2,605,943**	2,242,996
Other operating income		**111,967**	99,240
Investment income		**4,128**	994
Purchase of goods and changes in inventories		**(1,958,804)**	(1,668,992)
Staff costs		**(214,956)**	(204,325)
Depreciation		**(61,113)**	(49,699)
Pre-operating expenses		**(917)**	(1,843)
Loss on disposal of property, plant and equipment		**(1,732)**	(2,139)
Other operating expenses		**(434,253)**	(378,210)
Finance costs		**(4)**	(8)
Profit before taxation		**50,259**	38,014
Income tax expenses	*4*	**(14,578)**	(9,122)
Profit for the period		**35,681**	28,892
Attributable to:			
Equity holders of the parent		**37,273**	26,711
Minority interest		**(1,592)**	2,181
		35,681	28,892
Interim dividend	*5*	**14,300**	10,400
Earnings per share	*6*	**14.34 cents**	10.27 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005

	30.6.2005 *HK$'000* (unaudited)	31.12.2004 *HK$'000* (restated and audited)
Non-current Assets		
Property, plant and equipment	**329,299**	342,660
Available-for-sale investments	**21,031**	–
Investment securities	**–**	3,936
Deferred taxation	**9,731**	10,922
Rental deposits and prepayments	**75,998**	76,108
	436,059	433,626
Current Assets		
Inventories	**359,475**	384,075
Trade receivables	**7,432**	16,302
Other receivables, prepayments and deposits	**25,014**	16,728
Amount due from ultimate holding company	**35**	–
Amounts due from fellow subsidiaries	**32,112**	37,515
Bank balances and cash	**719,969**	776,018
	1,144,037	1,230,638
Current Liabilities		
Trade payables	**617,094**	709,949
Other payables and accrued charges	**251,671**	271,034
Amounts due to fellow subsidiaries	**7,312**	10,553
Amount due to ultimate holding company	**63,028**	61,678
Obligations under finance leases	**331**	298
Taxation	**12,850**	9,705
Dividends payable	**210**	142
	952,496	1,063,359
Net Current Assets	**191,541**	167,279
	627,600	600,905
Capital and Reserves		
Share capital	**52,000**	52,000
Share premium and reserves	**512,363**	480,221
Equity attributable to equity holders of the parent	**564,363**	532,221
Minority Interest	**39,069**	40,682
Total Equity	**603,432**	572,903
Non-current Liabilities		
Deposits and accrued charges	**24,056**	27,741
Obligations under finance leases	**112**	261
	24,168	28,002
	627,600	600,905

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim financing reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

During 2004, the Company changed its financial year end date from 28 February to 31 December. The condensed financial statements for the current period cover a six month period from 1 January 2005 to 30 June 2005. Accordingly, the comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes covered a six month period from 1 March 2004 to 31 August 2004 and therefore may not be comparable with amounts shown for the current period.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period from 1 March 2004 to 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interest has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group reclassified/designated its debt and equity securities (previously carried at cost less impairment) as available-for-sale investments in accordance with the requirements of HKAS 39. An adjustment of HK$17,640,000 to the previous carrying amounts of these debt and equity securities at 1 January 2005 has been made to the Group's retained profits.

The effects of the changes in the accounting policies described above did not have other significant effect on the results for the current and prior period.

3. SEGMENT INFORMATION

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

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

Six months ended 30 June 2005

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER			
External sales	**1,822,109**	**783,834**	**2,605,943**
SEGMENT RESULT			
Profit (loss) before finance costs	**52,578**	**(2,315)**	**50,263**
Finance costs	**(4)**	**–**	**(4)**
Profit (loss) before taxation	**52,574**	**(2,315)**	**50,259**
Income tax expenses	**(11,285)**	**(3,293)**	**(14,578)**
Profit (loss) for the period	**41,289**	**(5,608)**	**35,681**

Six months ended 31 August 2004

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
TURNOVER			
External sales	1,630,587	612,409	2,242,996
SEGMENT RESULT			
Profit before finance costs	25,336	12,686	38,022
Finance costs	(8)	–	(8)
Profit before taxation	25,328	12,686	38,014
Income tax expenses	(7,138)	(1,984)	(9,122)
Profit for the period	18,190	10,702	28,892

4. INCOME TAX EXPENSES

	Six months ended	
	30.6.2005 *HK$'000*	31.8.2004 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**10,095**	7,300
PRC income tax	**3,292**	1,984
	13,387	9,284
Deferred tax:		
Charge (credit) for the period	**1,191**	(162)
	14,578	9,122

Hong Kong Profits Tax is calculated at 17.5% (six months ended 31.8.2004: 17.5%) of the estimated assessable profit for the period.

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

5. DIVIDENDS

On 16 June 2005, a dividend of 8.5 HK cents (six months ended 31.8.2004: 13.0 HK cents) per share amounting to HK$22,100,000 (six months ended 31.8.2004: HK$33,800,000) was paid to shareholders as the final dividend for the ten months ended 31 December 2004.

The directors have declared that an interim dividend of 5.5 HK cents (six months ended 31.8.2004: 4.0 HK cents) per share amounting to HK$14,300,000 (six months ended 31.8.2004: HK$10,400,000) be paid to the shareholders of the Company whose names appear on the Register of Members of the Company on 12 October 2005. The interim dividend will be paid on or before 21 October 2005.

6. EARNINGS PER SHARE

The calculation of earnings per share attributable to the equity holders of the parent is based on the Group's net profit for the period attributable to the equity holders of the parent of HK$37,273,000 (six months ended 31.8.2004: HK$26,711,000) and on 260,000,000 (six months ended 31.8.2004: 260,000,000) ordinary shares in issue during the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 October 2005 to 14 October 2005 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the proposed interim 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 10 October 2005.

BUSINESS REVIEW

This is the Group's first interim results after its change of financial year end date from end of February to 31 December. Turnover for the six months ended 30 June 2005 grew 16% to HK$2,606 million when compared with HK$2,243 million for the six months ended 31 August 2004. The rise in turnover was mainly due to the increase in sales of our existing stores and the growth strategies of expanding the Group's retail network through opening more GMS and JUSCO $10 Plaza as well as diversifying into the new business mode of operating an independent supermarket. Gross profit margin slightly decreased to 24.8% compared with 25.6% for the six months ended 31 August 2004. This was due to the lower margin of food items and our enlarged food sector which accounted for 35% of sales. Profit for the period rose 24% to HK$36 million. The satisfactory results were mainly attributable to the outstanding performance of our stores in Hong Kong.

The Hong Kong economy has been improving greatly in the past six months. With the further relaxation of the Individual Travellers Scheme by the PRC Government, the retail market in Hong Kong has been greatly boosted by the spending spree of Mainland tourists. Besides, the declining unemployment rate and the reviving property market have enhanced overall consumption sentiment in Hong Kong. During this period, the Group's Hong Kong sales rose 12% to HK$1,822 million and profit for the period increased 127% to HK$41 million.

One significant strategic move of the Group during the review period was its venture into independent supermarket operation, a strategic attempt to diversify its business mode. In April 2005, JUSCO Supermarket, AEON Stores' first supermarket in Hong Kong detached from its GMS, was opened in apm in Kwun Tong. Also in May 2005, the Group partially closed the Tai Po Store for renovation. To better cater for the needs of the residents in Tai Po, which are mostly made up of working couples and nuclear families, the newly renovated store adopts the "Home Sweet Home" concept, which not only provides a wider range of quality products but also creates a pleasing shopping environment for the customers. The store resumed full operation in early August.

PRC turnover for the six months ended 30 June 2005 recorded a rise of 28% to HK$784 million, compared with HK$612 million for the six months ended 31 August 2004. Our PRC segment nevertheless recorded a loss of HK$6 million mainly due to the initial stages of operations of two newly opened stores in Foshan and Shenzhen and the increase in operating expenses of AEON China.

During the period, staff cost against turnover dropped from 9.1% to 8.2% while rental cost against turnover fell from 8.4% to 8.0%.

The Group maintained a strong and healthy financial position with no bank borrowings and a net cash balance of HK$720 million as at 30 June 2005 (31 December 2004: HK$776 million).

Capital expenditure during the period amounted to HK$50 million (six months ended 31 August 2004: HK$39 million), which was used for renovation of existing stores and opening of new stores. The Group will continue to finance its future 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 its total purchases were settled by foreign currencies.

PROSPECTS

Hong Kong Operations

The Group expects that our Hong Kong business will continue to benefit from the economic growth in Hong Kong and in the PRC. Backed by its solid foundation in Hong Kong, the Group is well-positioned to fully seize the enormous opportunities ahead. Subsequent to the period end date, in August 2005, the Group opened two more independent JUSCO $10 Plaza, one in Tsuen Wan and the other in Wan Chai. In future, the Group will continue to look for appropriate locations to open more new GMS, JUSCO $10 Plaza and independent supermarkets.

PRC Operations

The Group expects that the PRC economy will continue to flourish and the consumption power of the local people will remain strong. To capitalize on such lucrative opportunities, the Group is determined to further penetrate into the PRC market by identifying suitable locations to open new stores. Our Group's third store in Shenzhen, the Dragon Hill Store, started operations in September while another GMS is scheduled to open in Shunde in 2006. Besides, the Group will strive to control the merchandise cost and operating expenses to improve its operations in the PRC.

HUMAN RESOURCES

As at 30 June 2005, the Group employed 3,400 full-time and 3,000 part-time staff in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Group provides training for staff to equip them for future store development. The Group also offers benefits such as professional tuition and training subsidies to enhance the personal development of its staff and their sense of loyalty to the Group.

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

During the six months ended 30 June 2005, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE
In the opinion of the directors, the Company has complied throughout the six months ended 30 June 2005 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

REVIEW OF INTERIM RESULTS
The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2005.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE
A detailed results announcement containing all the information required by Appendix 16 of the Listing Rules will be subsequently published on the website of the Stock Exchange in due course.

By Order of the Board
Naoyuki MIYASHITA
Managing Director

Hong Kong, 9 September 2005

As at the date of this announcement, the executive directors are Mr. Naoyuki Miyashita, Mr. Wong Mun Yu and Mr. Lam Man Tin; the non-executive directors are Mr. Toshiji Tokiwa, Mr. Motoya Okada, Mr. Tatsuichi Yamaguchi and Mr. Kazumasa Ishii; and the 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.