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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)

2009 ANNUAL RESULTS

The Board of Directors (the "Board") of AEON Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group" or "AEON") for the year ended 31 December 2009 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009 HK$'000**	2008 HK$'000 (Restated)
Revenue		**5,897,909**	5,373,626
Other income		**413,675**	358,649
Investment income		**25,785**	40,200
Purchase of goods and changes in inventories		**(3,947,340)**	(3,498,040)
Staff costs		**(606,972)**	(586,501)
Depreciation		**(147,715)**	(121,079)
Loss on disposal of property, plant and equipment		**(12,824)**	(5,287)
Impairment loss recognized in respect of property, plant and equipment		**(4,181)**	(11,334)
Pre-operating expenses		**(10,633)**	(7,691)
Other expenses		**(1,333,105)**	(1,157,310)
Finance costs		**(7,175)**	(6,254)
Profit before tax		**267,424**	378,979
Income tax expenses	4	**(72,253)**	(74,528)
Profit for the year		**195,171**	304,451
Profit for the year attributable to:			
Owners of the Company		**167,148**	271,536
Minority interests		**28,023**	32,915
		195,171	304,451
Earnings per share	6	**64.29 HK cents**	104.44 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000 (Restated)
Profit for the year	**195,171**	304,451
Other comprehensive income		
Fair value gain (loss) on available-for-sale investments	**12,456**	(13,970)
Exchange differences arising on translation of foreign operations	**(777)**	10,222
Other comprehensive income for the year	**11,679**	(3,748)
Total comprehensive income for the year	**206,850**	300,703
Total comprehensive income attributable to:		
Owners of the Company	**179,043**	262,737
Minority interests	**27,807**	37,966
	206,850	300,703

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	**31.12.2009 HK$'000**	31.12.2008 HK$'000 (Restated)	1.1.2008 HK$'000 (Restated)
Non-current Assets				
Goodwill		**94,838**	94,838	--
Property, plant and equipment		**487,775**	444,062	335,692
Available-for-sale investments		**27,881**	15,425	29,395
Callable time deposits		**77,641**	155,486	--
Long term time deposits		**116,461**	--	--
Deferred tax assets		**11,739**	13,508	13,129
Rental deposits and prepayments		**85,975**	137,455	94,986
		902,310	860,774	473,202
Current Assets				
Inventories		**558,450**	549,091	412,173
Trade receivables	7	**19,443**	20,345	34,323
Other receivables, prepayments and deposits		**92,548**	47,707	31,499
Amounts due from fellow subsidiaries		**65,238**	57,830	51,645
Tax recoverable		**8,182**	--	--
Pledged bank deposits		**12,470**	12,265	78,523
Bank balances and cash		**1,903,696**	1,618,932	1,651,084
		2,660,027	2,306,170	2,259,247
Current Liabilities				
Trade payables	8	**1,224,119**	1,062,598	1,036,747
Other payables and accrued charges		**754,843**	641,649	498,010
Amounts due to fellow subsidiaries		**45,951**	56,502	30,837
Amount due to ultimate holding company		**35,156**	31,692	27,816
Bank borrowings		**124,432**	151,946	100,387
Income tax payable		**16,357**	9,565	25,445
Dividend payable		**520**	448	383
		2,201,378	1,954,400	1,719,625
Net Current Assets		**458,649**	351,770	539,622
Total Assets Less Current Liabilities		**1,360,959**	1,212,544	1,012,824
Capital and Reserves				
Share capital		**52,000**	52,000	52,000
Share premium and reserves		**1,091,463**	1,009,920	864,963
Equity attributable to owners of the Company		**1,143,463**	1,061,920	916,963
Minority interests		**110,627**	92,375	71,549
Total Equity		**1,254,090**	1,154,295	988,512
Non-current Liabilities				
Deposits received		**58,708**	55,675	24,312
Deferred tax liabilities		**2,913**	2,574	--
Bank borrowings		**45,248**	--	--
		106,869	58,249	24,312
		1,360,959	1,212,544	1,012,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS / BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods

New and revised HKFRSs affecting presentation and disclosures only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in a presentation of a third consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively upon the adoption of HK(IFRIC) – Int 13 "Customer Loyalty Programmes" during the current financial year (see below).

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the reported results and financial position

HK(IFRIC) – Int 13 "Customer Loyalty Programmes"

The adoption of HK(IFRIC) - Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty programmes. The Group's customer loyalty programmes operated for the benefit of its customers falls within the scope of HK(IFRIC) - Int 13. Under the customer loyalty programmes, customers are entitled to receive bonus points that can be used to redeem cash coupon. In the past, the Group had accounted for the customer privilege programmes by recognising the full consideration from retail sales as revenue and recognising the cost of bonus points as provisions and included in “Other payables and accrued charges”. However, HK(IFRIC) - Int 13 requires such transactions to be accounted for as "multiple element revenue transactions" and that the consideration received in the initial sales transactions should be allocated between the sales of retail goods and the cost of bonus points that are earned by the customers.

This change in accounting policy has been applied retrospectively. The impact of this change in accounting policy as at 1 January 2008 is that provisions have been decreased by HK$3,873,000 and deferred revenue has been increased by HK$4,752,000, with a corresponding adjustment for the net effect of HK$879,000 being recognised in opening retained earnings, minority interests and translation reserves. The change has had no material tax impact. Revenue for the year ended 31 December 2009 has been decreased by HK$696,000 (2008: decreased by HK$2,941,000). Other expenses has been decreased by HK$36,000 (2008: decreased by HK$869,000). Profit for the year ended 31 December 2009 has therefore been decreased by HK$660,000 (2008: decreased by HK$2,072,000) as a result of the new policy. At 31 December 2009, revenue deferred in relation to the programmes amounts to HK$8,459,000. The financial impact is set out below:

Summary of the effect of the above changes in accounting policies

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

	2009 **HK$'000**	2008 HK$'000
Decrease in revenue	**(696)**	(2,941)
Decrease in other expenses	**36**	869
Decrease in profit for the year	**(660)**	(2,072)

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

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

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

	As at 1.1.2008 (Originally stated) HK$'000	Adjustments HK$'000	As at 1.1.2008 (Restated) HK$'000
Other payable and accrued charges	497,131	879	498,010
Total effects on net assets	497,131	879	498,010
Retained profits	757,703	(549)	757,154
Minority interests	71,857	(308)	71,549
Translation reserves	12,601	(22)	12,579
Retained profits, total effects on equity	842,161	(879)	841,282

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

Impact on basic earnings per share

	2009 **HK cents**	2008 HK cents
Reported figures before adjustments	**64.50**	104.98
Adjustments arising from changes in accounting policies	**(0.21)**	(0.54)
Restated	**64.29**	104.44

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised in 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 January 2010
[6] Effective for annual periods beginning on or after 1 January 2013
[7] Effective for annual periods beginning on or after 1 July 2010

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the 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 year and is analysed as follows:

	2009	2008
	HK$'000	HK$'000 (Restated)
Direct sales	**5,082,837**	4,598,214
Income from concessionaire sales	**815,072**	775,412
Revenue	**5,897,909**	5,373,626

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical segments) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of assets. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Information reported to the Group's chief operating decision maker (i.e. the executive director) for the purposes of resources allocation and assessment of performance is focused on the retail stores of the Group located in different locations. The reportable segments represented the aggregate of operating segments with similar economic characteristics and are identified by the chief operating decision maker as two separate reportable segments of Hong Kong and the PRC.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2009

	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue - external	**3,271,292**	**2,626,617**	**5,897,909**
Segment profit (loss)	**265,923**	**(17,109)**	**248,814**
Dividend income			**1,211**
Interest income			**24,574**
Finance costs			**(7,175)**
Profit before tax			**267,424**

For the year ended 31 December 2008 (restated)

	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
Segment revenue - external	3,107,835	2,265,791	5,373,626
Segment profit	249,158	95,875	345,033
Dividend income			1,741
Interest income			38,459
Finance costs			(6,254)
Profit before tax			378,979

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of dividend income, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	2009 **HK$'000**	2008 HK$'000
The charges comprise:		
Current tax:		
Hong Kong	**37,439**	44,106
Other regions in the PRC	**33,300**	29,100
	70,739	73,206
(Over)underprovision in prior years		
Hong Kong	**646**	(893)
Other regions in the PRC	**(1,240)**	20
	(594)	(873)
	70,145	72,333
Deferred tax:		
Current year	**2,108**	1,445
Attributable to a change in tax rate	--	750
Income tax expense for the year	**72,253**	74,528

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC income tax is calculated at 18%, 20% or 25% (2008: 18% or 25%) of the estimated assessable profits of the subsidiaries.

Deferred tax liability in respect of the withholding tax on the undistributed earnings of subsidiaries during the year has been provided at the applicable tax rate.

5. DIVIDENDS

	2009 **HK$'000**	2008 HK$'000
Final dividend paid for 2008 of 27.9 HK cents (2008: 26.0 HK cents for 2007) per ordinary share	**72,540**	67,600
Interim dividend paid for 2009 of 9.6 HK cents (2008: 19.3 HK cents) per ordinary share	**24,960**	50,180
	97,500	117,780

The Board of Directors has recommended a final dividend of 22.6 HK cents per share (2008: 27.9 HK cents) to be paid on or before 18 June 2010, subject to shareholders' approval at the forthcoming annual general meeting on 19 May 2010.

6. **EARNINGS PER SHARE**

The calculation of earnings per share attributable to the owners of the Company is based on the Group's profit for the year attributable to owners of the Company of HK$167,148,000 (2008: restated at HK$271,536,000) and on 260,000,000 (2008: 260,000,000) ordinary shares in issue during the year.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for both years.

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 at the reporting date.

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	HK$'000	HK$'000
Within 30 days	**19,443**	20,345	32,071
Over 30 days	**--**	--	2,252
	19,443	20,345	34,323

8. **TRADE PAYABLES**

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

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	HK$'000	HK$'000
0 - 60 days	**1,041,589**	971,176	845,449
61 - 90 days	**96,983**	43,257	79,538
Over 90 days	**85,547**	48,165	111,760
	1,224,119	1,062,598	1,036,747

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 May 2010 to 19 May 2010 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the final dividend, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, at 26 Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL REVIEW

The operating environment in 2009, particularly the first half year, remained challenging for the retail industry. The economy started to pick up in the second half year but has yet to fully recover from the downturn sparked by the global financial meltdown in late 2008. However, the Group managed to deliver satisfactory results building on its solid experience and strong foothold in the region. The Group's revenue grew by 10% to HK$5,897.9 million from HK$5,373.6 million in 2008 mainly attributable to the new stores added in Hong Kong and the PRC and the success of sales promotion efforts during the year. Gross profit margin dropped slightly to 33.1% (2008: 34.9%). With the PRC operations performed below expectation during the year, several new stores still in investment stage and impairment loss arising from certain refundable prepaid rental not being accepted in arbitration, profit attributable to shareholders for the year dropped by 38% to HK$167.1 million (2008: HK$271.5 million). Earnings per share of 2009 were 64.29 HK cents, against 104.44 HK cents in the previous year.

During the year under review, staff costs to revenue was down slightly from 10.9% to 10.3% thanks to effective cost control measures and improved efficiency in manpower deployment. Rental costs to revenue rose to 11.1% from 9.7%, if the one-off impairment loss of prepaid rental was excluded, the ratio would have been 10.8%.

As at 31 December 2009, the Group maintained a stable net cash position with cash and bank balance of HK$1,904 million, against HK$1,619 million at 31 December 2008. The Group had bank borrowings of HK$170 million (31.12.2008: HK$152 million). The borrowings were denominated in Renminbi bearing interest calculated with reference to the lending rate of the People's Bank of China. The Group strives to keep a low gearing ratio making sure it has sufficient resources to finance future expansion.

The Group's bank deposits of HK$12 million (31.12.2008: HK$12 million) were pledged to banks for guarantee to landlords for rental deposits, and nil (31.12.2008: HK$4.6 million) for guarantee to suppliers for trade purchases.

Capital expenditure for the year amounted to HK$209 million, arising from renovation of existing stores as well as opening of new stores. The Group will continue to finance future capital expenditure by internal resources and short-term borrowings.

Though exchange rates continued to fluctuate, the Group was not materially affected by related movements as less than 5% of its total purchases was settled in foreign currencies.

BUSINESS REVIEW

The global financial crisis that broke out since September 2008, has affected economies around the world. Governments have swiftly responded with series of economic stimulation policies to boost market demand and public confidence. As a result, economies and financial markets gradually stabilised towards the second half of the year, especially the PRC and Hong Kong markets. However, as consumer sentiment was slow to recover and people were concerned about job security in general, the retail industry was still weak and unstable in the year 2009.

Hong Kong Operations

As affected by the financial turmoil, the local economy suffered severe contraction in the first quarter of 2009. It stabilised in the second quarter and started to pick up gradually in the second half of the year. However, the real GDP for 2009 as a whole dropped by 2.7%[1] when compared with 2008, which indicated that the economy remained weak. With consumers cautious in spending, pressure was experienced by the retail market and the Group's operations. Despite that, with the launch of various kinds of sales promotions, the news stores added and renovated stores reopened during the year, the Group was able to record an increase in segmental revenue of 5% to HK$3,271.3 million from HK$3,107.8 million. The growth is particularly significant given that the JUSCO Tsuen Wan Store was

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[1] Census and Statistics Department, The Government of the Hong Kong SAR

renovated in the middle of the year with an enhanced product mix and ancillary facilities. Overall segmental result for the year of the Hong Kong operations grew by 7% to reach HK$265.9 million (2008: HK$249.2 million), this growth amid the weak economy demonstrated the Group's resilience in the adverse operating environment and the effectiveness of its effort in cost control and enhancing operational efficiency.

During the year under review, the Group was active in expanding its sales distribution network. It opened five stores in Lai Chi Kok, Shatin, North Point, Ap Lei Chau and Tseung Kwan O, which have been well-received by customers. The new store in Tseung Kwan O, which marked the return of the Group to serving the district, in particular delivered satisfactory results riding on the strong relationship with residents built from before the Group withdrew from the district in 2007. JUSCO Tsuen Wan Store was renovated and re-opened in May with an enhanced shopping environment and specially selected collections of merchandise. Currently, the Group operates 32 stores in densely populated residential districts in Hong Kong.

PRC Operations

The economy in south China was also affected in the economic downturn and presented pressure on the Group's operations. With various domestic consumption stimulus packages implemented by the Chinese government, the country, especially the south China region, has been gradually recovering from impacts of the global financial crisis starting in fourth quarter of 2009. The Group recorded a 16% increase in revenue from the PRC market, rising from HK$2,265.8 million in 2008 to HK$2,626.6 million in 2009, mainly attributable to the additional sales contribution from new stores opened in Foshan, Shenzhen and Guangzhou and full year contribution from the Huizhou Store. However, with the performance of existing stores below expectation because of the slack economy, the new stores still in investment stage, and the impairment loss arising from the refundable prepaid rental of HK$13 million not being accepted in arbitration, the PRC operations recorded loss of HK$17.1 million (2009: profit of HK$95.9 million) for the year of 2009.

As at 31 December 2009, the Group had 14 stores operating in the south China region.

Prospects

Hong Kong Operations

The global economy is expected to continue recovering in 2010. At the Hong Kong government's effort in stabilising the financial sector, supporting enterprises and preserving employment, the local economy should gradually revive and return to positive annual growth. Riding on the strong and long-term relations with local communities, its established distribution network and well diversified business, the Group is set to capture the opportunities arising in the recovering retail market.

Although consumer sentiment is expected to improve, the Group remains cautiously optimistic about the outlook of its business and will continue to adopt active sales promotion to attract customers. In late February 2010, the Group closed the JUSCO Lok Fu Store that had been in operation for over 18 years and will relocate the store to MegaBox, an iconic family leisure destination, in Kowloon Bay. The new store, which will open mid-this year, will be the Group's largest store in Kowloon East where there are large populations of residents, workers and visitors. The Group will also continue to look for locations suitable for opening new stores so as to bring quality products and services to more customers.

Separately, the Group has been observing the trend of the local retail markets, and noticed the convenience of internet shopping that fitting the busy life of Hong Kong people. Therefore, the Group actively embarks on providing online shopping services for customers. The Group sees huge potential in the virtual shopping platform for customers with busy schedules and wanting to save time in shopping. The Group will invest more resources in developing the related businesses. The Group will also explore new business models so as to speed up business expansion and suit the changing needs of customers.

PRC Operations

The economic stimulus measures promptly launched by the Chinese Government to counter the global economic downturn in 2008 have been yielding results and are expected to see domestic demand and consumption grow notably in the months ahead. The Group is positive about the outlook of the retail market in south China and to capture reviving demand in the region, it opened a store in Baiyun District, Guangzhou in January. The new store, with a total investment cost of approximately RMB29 million, is the first of AEON Stores located outside the hub of a city. It aims to raise the living standard of customers by providing large variety of quality merchandises as well as allow the Group to tap business opportunities bred by the huge consumption power in the district. Two more new stores will be opened in the next 12 months in south China. The Group will continue to increase retail outlets at suitable locations and plan to introduce independent supermarkets in the PRC so as to benefit from economies of scale.

The Group has demonstrated resilience during the challenging year in 2009 on its solid foothold and supported by an experienced management team working under the guidance of the motto to provide local communities with a unique and pleasant shopping experience. The Group will continue to offer tailored products and services that can satisfy the needs of different customers and in doing so take its retail operations to new heights.

HUMAN RESOURCES

As at 31 December 2009, the Group had approximately 6,900 full-time and 1,600 part-time employees in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices of the industry. Committed to delivering the highest standard of service to all its customers, the Group will continue to place efforts on enhancing the quality and skills of its staff by providing professional trainings and mentorship. It will also seek to create an environment where employees can grow and feel a sense of belonging and loyalty to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, 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 year with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company has complied throughout the year with the Code.

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

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2009 with management.

PUBLIC FLOAT

The Company's public float was less than the percentage threshold required under Rule 8.08 of the Listing Rules throughout the year up to 27 October 2009. From 28 October 2009, the Company has restored its public float to over 25% in compliance with Rule 8.08 of the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2009 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
LAM Man Tin
Managing Director

Hong Kong, 19 March 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine, Mr. Yuji Yoneta and Mr. Kenji Fujita; the non-executive Directors are Mr. Akihito Tanaka, Mr. Masaaki Toyoshima, Mr. Kazumasa Ishii and Mr. Fumiaki Origuchi; and the independent non-executive Directors are Prof. Lam Pei Peggy, Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna and Dr. Shao Kung Chuen.