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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)

2010 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 2010 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010**	2009
		HK$'000	HK$'000
Revenue		**6,106,485**	5,897,909
Other income		**446,030**	413,675
Investment income		**21,474**	25,785
Purchase of goods and changes in inventories		**(4,074,759)**	(3,947,340)
Staff costs		**(638,235)**	(606,972)
Depreciation		**(118,958)**	(147,715)
Loss on disposal of property, plant and equipment		**(733)**	(12,824)
Impairment loss recognized in respect of property, plant and equipment		**(12,490)**	(4,181)
Pre-operating expenses		**(12,617)**	(10,633)
Other expenses		**(1,308,768)**	(1,333,105)
Finance costs		**(5,852)**	(7,175)
Profit before tax		**401,577**	267,424
Income tax expense	4	**(81,547)**	(72,253)
Profit for the year		**320,030**	195,171
Profit for the year attributable to:			
Owners of the Company		**279,218**	167,148
Non-controlling interests		**40,812**	28,023
		320,030	195,171
Earnings per share	6	**107.39 HK cents**	64.29 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 **HK$'000**	2009 HK$'000
Profit for the year	**320,030**	195,171
Other comprehensive income		
Fair value (loss) gain on available-for-sale investments	**(1,045)**	12,456
Exchange differences arising on translation of foreign operations	**9,869**	(777)
Other comprehensive income for the year	**8,824**	11,679
Total comprehensive income for the year	**328,854**	206,850
Total comprehensive income attributable to:		
Owners of the Company	**283,422**	179,043
Non-controlling interests	**45,432**	27,807
	328,854	206,850

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	NOTES	**31.12.2010**	31.12.2009
		HK$'000	HK$'000
Non-current Assets			
Goodwill		**94,838**	94,838
Property, plant and equipment		**494,847**	487,775
Available-for-sale investments		**26,836**	27,881
Callable time deposits		**--**	77,641
Long term time deposit		**117,118**	116,461
Deferred tax assets		**25,800**	11,739
Rental deposits		**109,086**	85,975
Deposits paid for acquisition of investment property		**31,000**	--
		899,525	902,310
Current Assets			
Inventories		**585,117**	558,450
Trade receivables	7	**21,003**	19,443
Other receivables, prepayments and deposits		**63,163**	92,548
Amounts due from fellow subsidiaries		**90,957**	65,238
Tax recoverable		**--**	8,182
Pledged bank deposits		**12,143**	12,470
Bank balances and cash		**2,168,383**	1,903,696
		2,940,766	2,660,027
Current Liabilities			
Trade payables	8	**1,212,876**	1,224,119
Other payables and accrued charges		**929,562**	754,843
Amounts due to fellow subsidiaries		**45,303**	45,951
Amount due to ultimate holding company		**39,422**	35,156
Bank borrowings		**23,410**	124,432
Income tax payable		**34,540**	16,357
Dividend payable		**614**	520
		2,285,727	2,201,378
Net Current Assets		**655,039**	458,649
Total Assets Less Current Liabilities		**1,554,564**	1,360,959
Capital and Reserves			
Share capital		**52,000**	52,000
Share premium and reserves		**1,258,665**	1,091,463
Equity attributable to owners of the Company		**1,310,665**	1,143,463
Non-controlling interests		**145,527**	110,627
Total Equity		**1,456,192**	1,254,090
Non-current Liabilities			
Rental deposits received		**71,407**	58,708
Deferred tax liabilities		**3,555**	2,913
Bank borrowings		**23,410**	45,248
		98,372	106,869
		1,554,564	1,360,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 AND CHANGES OF ACCOUNTING ESTIMATES

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.

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Right Issues[7]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

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.

Changes of accounting estimates

During the year, the management reassessed the useful lives of the Group's property, plant and equipment. Before 1 January 2010, building fixtures of the Company's subsidiaries in The People's Republic of China ("PRC") were depreciated over the shorter of 5 years or the term of the relevant lease. With effect from 1 January 2010, the remaining net book values of the building fixtures of the Company's subsidiaries in the PRC are depreciated over the shorter of 8 years or the term of the relevant lease.

The change in depreciation rate has decreased the depreciation charge for the year by approximately HK$28,245,000.

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. An analysis of the Group's revenue for the year is as follows:

	2010	2009
	HK$'000	HK$'000
Direct sales	**5,258,915**	5,082,837
Income from concessionaire sales	**847,570**	815,072
Revenue	**6,106,485**	5,897,909

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. The chief operating decision maker identifies Hong Kong and the PRC as the two reportable segments.

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 2010

	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue - external	**3,189,823**	**2,916,662**	**6,106,485**
Segment profit	**232,260**	**153,695**	**385,955**
Dividend income			**1,211**
Interest income			**20,263**
Finance costs			**(5,852)**
Profit before tax			**401,577**

For the year ended 31 December 2009

	Hong Kong HK$'000	PRC HK$'000	Total 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

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

	2010 HK$'000	2009 HK$'000
The charges comprise:		
Current tax:		
Hong Kong	**40,087**	37,439
Other regions in the PRC	**52,168**	33,300
	92,255	70,739
Under(over)provision in prior years		
Hong Kong	**(157)**	646
Other regions in the PRC	**2,868**	(1,240)
	2,711	(594)
	94,966	70,145
Deferred tax:		
Current year	**(13,419)**	2,108
Income tax expense for the year	**81,547**	72,253

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC income tax is calculated at 25% (2009: 18%, 20% 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

	2010 HK$'000	2009 HK$'000
Final dividend paid for 2009 of 22.6 HK cents (2009: 27.9 HK cents for 2008) per ordinary share	**58,760**	72,540
Interim dividend paid for 2010 of 22.1 HK cents (2009: 9.6 HK cents for 2009) per ordinary share	**57,460**	24,960
	116,220	97,500

The Board of Directors has recommended a final dividend of 31.6 HK cents per share (2009: 22.6 HK cents) to be paid on or before 24 June 2011, subject to shareholders' approval at the forthcoming annual general meeting on 27 May 2011.

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$279,218,000 (2009: HK$167,148,000) and on 260,000,000 (2009: 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.

	31.12.2010 HK$'000	31.12.2009 HK$'000
Within 30 days	**21,003**	19,443

8. TRADE PAYABLES

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
0 - 60 days	**1,110,217**	1,041,589
61 - 90 days	**86,763**	96,983
Over 90 days	**15,896**	85,547
	1,212,876	1,224,119

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 May 2011 to 27 May 2011 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the final dividend and the entitlement to attend and vote at the forthcoming annual general meeting, 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 24 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL REVIEW

In 2010, the economy in Hong Kong and China continued to revive at full gear from the downturn sparked by the global financial meltdown in late 2008. The operating environment has also been improving during the year, supported by positive consumer sentiment. The Group has continued to achieve growth in its results, with revenue reaching HK$6,106.5 million, a 4% increase from HK$5,897.9 million in 2009, mainly attributable to newly opened stores during the year in both Hong Kong and the PRC. It is even more encouraging that the Group has managed to improve its profitability, with gross profit margins rising from 33.1% to 33.3%. This was attributable to economies of scale in procurement as the number of stores increased. Profit attributable to shareholders for the year surged 67% to HK$279.2 million compared to HK$167.1 million due to a strong performance. Apart from the improved gross profit, growth in net profit was also due to the dragging down of the previous year's performance by the one-off impairment loss arising from certain refundable prepaid rentals not being accepted in arbitration.

During the year under review, staff cost to revenue ratio increased slightly from 10.3% to 10.5%, mainly due to retention of manpower despite store closures. Rental cost to revenue ratio improved from 11.1% to 10.2% thanks to effective efforts devoted in negotiating favourable terms with landlords. The ratio would still have recorded an improvement from 10.8% to 10.2% even if the impairment loss of prepaid rental of HK$13 million in 2009 were excluded.

As at 31 December 2010, the Group maintained a strong net cash position with cash and bank balance of HK$2,168 million, against HK$1,904 million at 31 December 2009. The Group's bank borrowings was further reduced to HK$47 million compared with HK$170 million at 31 December 2009, mainly due to improved results performance in the PRC operations. The borrowings were denominated in Renminbi bearing interest calculated with reference to the lending rate of the People's Bank of China. The Group continued to maintain a low gearing level with sufficient internal resources to finance future business expansion.

The Group's bank deposits of HK$12 million (31 December 2009: HK$12 million) were pledged to banks as guarantees to landlords for rental deposits.

Capital expenditure for the year amounted to HK$128 million, mainly used for opening new stores in both Hong Kong and the PRC. The Group intends to finance future capital expenditure by internal resources and short-term borrowings.

As less than 5% of the Group's total purchases were settled in foreign currencies, it has not been materially affected by fluctuations in exchange rates.

BUSINESS REVIEW

Hong Kong Operations

During the year 2010, the global economy has recovered from the downturn caused by the financial tsunami, while the local economy has been ahead of the positive trend, maintaining a notable GDP growth of 6.8%[1] for 2010 as a whole. The declining unemployment rate and rising labour income level further supported the economic expansion. As a result, the retail business benefitted from improving consumer sentiment during the year. The Group's Hong Kong operations recorded revenue of HK$3,189.8 million (2009: HK$3,271.3 million). The results were satisfactory given that one store in Tai Po was closed in July 2010 due to expiry of the leasing contract, while the store in Lok Fu was closed in February and relocated to Megabox, Kowloon Bay in June. Segment profit was HK$232.3 million (2009: HK$265.9 million), temporarily affected by the retention of staff despite store closures.

During the year under review, the Group continued to actively expand its sales distribution network. It opened three stores in Tsimshatsui, Ngau Tau Kok and Tuen Mun, which were all well-received by the customers in the areas. The Group also relocated the store in Lok Fu to Megabox, which became its largest store in Kowloon East. With the quality service and a wide array of reasonably priced products, the new store was supported by the customers living and working in the district, thus delivering performance beyond the management's expectation. Currently, the Group operates 32 independent outlets in densely populated residential districts in Hong Kong.

PRC Operations

Despite the turmoil caused by the financial tsunami during 2009, the PRC economy was one of the first to rebound globally through the domestic demand stimulus policy. In particular, the south China region has delivered strong economic growth during the year, providing a favourable backdrop for the Group's development. The Group's PRC operations recorded an 11% increase in revenue to reach HK$2,916.7 million, up from HK$2,626.6 million in 2009. The satisfactory performance was mainly attributable to the improved operation of existing stores, while also driven by the newly opened stores as well as the full-year contributions of stores opened during 2009, despite that one store at China Plaza in Guangzhou was closed during the year. Accordingly, the PRC operations achieved a segment profit at HK$153.7 million in 2010, a significant turnaround from a loss of HK$17.1 million in 2009. Excluding the effect of changing the expected useful lives of building fixtures which has saved HK$28.2 million from depreciation before tax during the year, the segment would still record profit of HK$125.5 million for the year under review.

During the year, the Group opened two new stores in Guangzhou in January and December, while one store each in Shenzhen and Dongguan in August and December respectively. The new stores have been gaining consumers' support rapidly in those locations since operations, achieving performance above the management's expectation. As at 31 December 2010, the Group operated a total of 18 stores in the south China region.

Prospects

Hong Kong Operations

Looking ahead, driven by the continuous recovery of the global economy, the Hong Kong Government forecasts that the local economy is poised for a further growth of 4% to 5% in 2011, which signifies a return to normal levels. For the retail industry, the improving job markets and rising income should continue to support consumption sentiment in the territory. While aware of various uncertainties incurred by inflation and potential asset market bubble, the Group remains positive towards the outlook of the local economy in 2011.

Following the encouraging economic development and increasing consumption power in Hong Kong, consumers now have higher expectations on the quality of daily necessities. In view of this changing consumption pattern and demand, the Group is planning to open stores in a new style with special interior décor that targets customers looking for a wider range of high-end products. The Group believes that these upmarket retail outlets not only can meet the appetite of different consumers, but also expand

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

the Group's revenue stream..In addition, the Group will also open a new store in Cheung Sha Wan by the end of 2011. The new store covering 240,000 sq ft will become the second largest store of the Group in Hong Kong.

Subsequent to the review period, the Group has acquired a property in Hong Kong at a consideration of HK$310 million, which was financed by internal resources. The whole building is currently subject to an existing tenancy agreement, which will expire on 31 March 2013 at a monthly rental of approximately HK$1.6 million, representing a yield of above 6% per annum. The Group is planning to convert the property into its new headquarters and centralised distribution and processing facilities, with an aim to achieve overall cost reduction and efficiency enhancement.

PRC Operations

Regarding the PRC, the economy is expected to turn from a stage of recovery to steady growth. The Group has an optimistic outlook about the development of the PRC operations against the backdrop of rising domestic demand. The Group intends to expand its business network in the PRC through actively opening new stores in locations with large potential. Subsequently, there will be two new stores opened in Guangzhou in the first half of this year, followed by another three in the second half of the year. The Group will also identify other suitable locations for further strengthening its foothold in this booming market.

HUMAN RESOURCES

As at 31 December 2010, the Group had approximately 6,600 full-time and 1,200 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 2010 with management.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2010 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, 18 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine and Mr. Yuji Yoneta; the non-executive Directors are Mr. Akihito Tanaka, Mr. Haruyoshi Tsuji, Mr. Yoshinori Okuno, Mr. Akio Yoshida and Mr. Takashi Komatsu; 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.