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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)

**2021 INTERIM RESULTS**

The Board of Directors (the “Board”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group” or “AEON”) for the six months ended 30 June 2021 together with comparative figures for the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<u>NOTES</u>	<b>Six months ended</b>	
		<u><b>30.6.2021</b></u> <b>HK\$'000</b> <b>(unaudited)</b>	<u><b>30.6.2020</b></u> <b>HK\$'000</b> <b>(unaudited)</b>
Revenue	3	<b>4,807,110</b>	5,157,673
Other income	4	<b>244,811</b>	229,320
Investment income		<b>9,703</b>	11,509
Interest income from rental deposits		<b>5,531</b>	5,386
Purchase of goods and changes in inventories		<b>(3,451,655)</b>	(3,701,983)
Staff costs		<b>(565,812)</b>	(534,468)
Depreciation of investment properties		<b>(39,873)</b>	(33,944)
Depreciation of property, plant and equipment		<b>(107,085)</b>	(99,186)
Depreciation of right-of-use assets		<b>(372,821)</b>	(368,816)
Leases expenses		<b>(45,276)</b>	(57,687)
Other expenses	6	<b>(534,429)</b>	(507,686)
Pre-operating expenses		<b>(2,298)</b>	(644)
Other gains and losses	5	<b>(65,069)</b>	(8,602)
Interest on lease liabilities		<b>(145,378)</b>	(143,857)
Loss before tax		<b>(262,541)</b>	(52,985)
Income tax expense	7	<b>(3,941)</b>	(10,056)
Loss for the period		<b><u>(266,482)</u></b>	<u>(63,041)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(245,377)</b>	(72,029)
Non-controlling interest		<b>(21,105)</b>	8,988
		<b><u>(266,482)</u></b>	<u>(63,041)</u>
Loss per share	9	<b><u>(94.38) HK cents</u></b>	<u>(27.70) HK cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Six months ended</b>	
	<b><u>30.6.2021</u></b>	<b><u>30.6.2020</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period	<u>(266,482)</u>	<u>(63,041)</u>
<b>Other comprehensive expense</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	(352)	(2,810)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(237)</u>	<u>(2,785)</u>
Other comprehensive expense for the period, net of income tax	<u>(589)</u>	<u>(5,595)</u>
Total comprehensive expense for the period	<u><b>(267,071)</b></u>	<u><b>(68,636)</b></u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(251,193)	(74,263)
Non-controlling interest	<u>(15,878)</u>	<u>5,627</u>
	<u><b>(267,071)</b></u>	<u><b>(68,636)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2021**

	<u>NOTES</u>	<u>30.6.2021</u> <u>HK\$'000</u> (unaudited)	<u>31.12.2020</u> <u>HK\$'000</u> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		642,380	645,756
Right-of-use assets		3,563,980	3,762,037
Investment properties		440,264	479,890
Goodwill		19,838	62,838
Equity instruments at FVTOCI		19,496	19,848
Time deposits		3,589	-
Pledged bank deposits		19,941	22,417
Deferred tax assets		44,266	44,819
Rental and related deposits paid		215,591	201,724
		<u>4,969,345</u>	<u>5,239,329</u>
<b>Current Assets</b>			
Inventories		841,581	889,997
Trade receivables	10	33,134	37,809
Other receivables, prepayments and deposits		100,142	102,112
Amounts due from fellow subsidiaries		32,827	62,690
Time deposits		525,469	463,740
Pledged bank deposits		13,173	10,230
Bank balances and cash		1,264,310	1,537,837
		<u>2,810,636</u>	<u>3,104,415</u>
<b>Current Liabilities</b>			
Trade payables	11	1,122,936	1,231,199
Other payables, accrued charges and other liabilities		693,722	753,530
Lease liabilities		784,974	711,073
Contract liabilities		450,765	441,548
Dividend payable		7,658	295
Amount due to ultimate holding company		39,172	26,998
Amounts due to fellow subsidiaries		35,180	28,933
Tax liabilities		210	5,150
		<u>3,134,617</u>	<u>3,198,726</u>
<b>Net Current Liabilities</b>		<b>(323,981)</b>	<b>(94,311)</b>
<b>Total Assets Less Current Liabilities</b>		<b><u>4,645,364</u></b>	<b><u>5,145,018</u></b>
<b>Capital and Reserves</b>			
Share capital		115,158	115,158
Reserves		323,332	587,498
Equity attributable to owners of the Company		438,490	702,656
Non-controlling interests		131,098	146,976
<b>Total Equity</b>		<b><u>569,588</u></b>	<b><u>849,632</u></b>
<b>Non-current Liabilities</b>			
Rental deposits received and other liabilities		136,315	135,579
Lease liabilities		3,938,107	4,159,573
Deferred tax liabilities		1,354	234
		<u>4,075,776</u>	<u>4,295,386</u>
		<b><u>4,645,364</u></b>	<b><u>5,145,018</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$323,981,000 at 30 June 2021. The directors of the Company have reviewed the cash flow projections prepared by management to evaluate the Group’s ability to continue as a going concern. Based on the cash flow projections, the directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence and to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

#### *Application of amendments to Hong Kong Financial Reporting Standard (“HKFRSs”)*

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoiced value of goods, net of discounts, sold to customers, and income from concessionaire sales during the period. Revenue is recognised at a point in time when the customer obtains control of the goods.

Information reported to the Group's chief operating decision makers (i.e. the executive directors) for the purposes of resource 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 makers identify Hong Kong and the People's Republic of China ("PRC") as the two reportable segments.

#### Disaggregation of revenue from contracts with customers

	<u>Six months ended 30.6.2021</u>		
	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	2,097,096	2,423,706	4,520,802
Income from concessionaire sales	155,534	130,774	286,308
	<u>2,252,630</u>	<u>2,554,480</u>	<u>4,807,110</u>
	<u>Six months ended 30.6.2020</u>		
	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	2,288,453	2,615,829	4,904,282
Income from concessionaire sales	134,857	118,534	253,391
	<u>2,423,310</u>	<u>2,734,363</u>	<u>5,157,673</u>

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

#### For the six months ended 30 June 2021

	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	2,252,630	2,554,480	-	4,807,110
Inter-segment sales	-	3,391	(3,391)	-
	<u>2,252,630</u>	<u>2,557,871</u>	<u>(3,391)</u>	<u>4,807,110</u>
Segment loss	<u>(105,859)</u>	<u>(123,385)</u>	-	<u>(229,244)</u>
Investment income				9,703
Impairment loss recognised in respect of goodwill				<u>(43,000)</u>
Loss before tax				<u>(262,541)</u>

#### For the six months ended 30 June 2020

	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	2,423,310	2,734,363	5,157,673
Segment (loss) profit	<u>(66,563)</u>	<u>2,069</u>	(64,494)
Investment income			11,509
Loss before tax			<u>(52,985)</u>

### 3. REVENUE AND SEGMENT INFORMATION - continued

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of investment income and impairment loss recognised in respect of goodwill. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The inter-segment revenue is charged at prevailing market rates.

### 4. OTHER INCOME

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
Rental income from investment properties	183,044	159,940
Government grants	7,616	17,103
Management fee and other income from lessees	39,669	38,624
Others	14,482	13,653
	<u>244,811</u>	<u>229,320</u>

During the current interim period, the Group recognised government grants of HK\$1,600,000 from Food Licence Holders Subsidy Scheme (six months ended 30.6.2020: HK\$13,020,000 from Places of Public Entertainment Licence Holder Subsidy Scheme and Food Licence Holders Subsidy Scheme) under Anti-Epidemic Fund of the Hong Kong Government, and HK\$6,016,000 (six months ended 30.6.2020: HK\$221,000) relating to subsidies granted by municipal governments in PRC.

### 5. OTHER GAINS AND LOSSES

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
Exchange gain (loss), net	10,888	(7,217)
Impairment loss recognised in respect of goodwill	(43,000)	-
Impairment loss recognised in respect of property, plant and equipment	(6,870)	-
Impairment loss recognised in respect of right-of-use assets	(26,292)	-
Loss on disposal/written off of property, plant and equipment	(209)	(1,385)
Gain on termination of lease contracts	414	-
	<u>(65,069)</u>	<u>(8,602)</u>

### 6. OTHER EXPENSES

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
Advertising, promotion and selling expenses	147,225	149,855
Maintenance and repair expenses	179,301	169,715
Administrative expenses	126,848	117,142
Utilities expenses	78,896	67,585
Others	2,159	3,389
	<u>534,429</u>	<u>507,686</u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	190	4,547
PRC withholding tax	575	832
Deferred tax	<u>3,176</u>	<u>4,677</u>
Income tax expense for the period	<u>3,941</u>	<u>10,056</u>

No provision for Hong Kong Profits Tax is made as the Company has no assessable profit for the six months ended 30 June 2021 and 30 June 2020.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Deferred tax for both periods arose from temporary differences arising from tax depreciation, provision for staff costs and other expenses, undistributed profits of subsidiaries and tax losses.

## 8. DIVIDEND

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2020 of 5.0 HK cents (six months ended 30.6.2020: 5.0 HK cents for 2019 final dividend) per ordinary share	<u>13,000</u>	<u>13,000</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 3.0 HK cents (six months ended 30.6.2020: 5.0 HK cents) per ordinary share amounting to HK\$7,800,000 (six months ended 30.6.2020: HK\$13,000,000) will be paid to the owners of the Company whose names appear in the Register of Members on 8 October 2021. The interim dividend will be paid on or before 29 October 2021.

## 9. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the Group's loss for the period attributable to the owners of the Company of HK\$245,377,000 (six months ended 30.6.2020: loss of HK\$72,029,000) and on 260,000,000 (six months ended 30.6.2020: 260,000,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as there are no potential ordinary shares in issue for both periods.

## 10. TRADE RECEIVABLES

The Group does not have a defined fixed credit policy as its major trade receivables arose from credit card sales and sales by other electronic payment methods.

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

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
Within 30 days	29,967	37,618
31 to 60 days	295	158
Over 60 days	2,872	33
	<u>33,134</u>	<u>37,809</u>

## 11. TRADE PAYABLES

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

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
0 to 60 days	936,780	1,054,564
61 to 90 days	61,493	61,301
Over 90 days	124,663	115,334
	<u>1,122,936</u>	<u>1,231,199</u>

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 October 2021 to 8 October 2021 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to the proposed interim dividend, during which period no transfers of Shares will be registered. 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 registrar, Tricor Secretaries Limited, at Level 54 Hopewell Centre, 183 Queen's Road East Hong Kong not later than 4:30 p.m. on 6 October 2021.



## **BUSINESS REVIEW**

The Coronavirus Disease 2019 (“COVID-19”) continued to linger in the first half of 2021. Although there were signs of it easing, daily activities around the world were still affected and the retail market was inevitably hit to various extents. To address the challenges the pandemic brings and the continuous changes of customers’ behavior under the pandemic, the Group reacted to the market changes as appropriate its operating strategies to maintain its competitiveness.

### **Hong Kong Operations**

With the fourth wave of the COVID-19 attack disrupting consumer activities, especially at the beginning of the review period, and outbound travel grinding to a halt plus strict social distancing measures, private consumption expenditure in the first quarter only grew by a slight 1.6%\* year -on-year even though the base for comparison was rather meager. The Hong Kong economy remained weak in the first half of 2021.

As the COVID-19 attack gradually under control and the relaxation of dining out restriction measures, the demand for stay at home related items were less than the corresponding period in last year which affected the sales performance.

Following the extensive renovation of its Tuen Mun store in 2020, the Group completed small scale renovations in 3 stores in Hong Kong. The new layouts of the stores came from thought given to consumers’ lifestyle today and also the need to bring in more products that suit the requirements of customers in the neighborhood and seasonal product choices, hopefully to give brand new shopping experiences to customers and to satisfy different customers’ specific daily needs.

As for the Group’s small scale store business, the Group has pressed on with related expansion plan. During the review period, the Group opened two “Living Plaza” stores and one lifestyle specialty store “*ものもの* (Mono Mono)“, and reviewed and strengthened the store opening, establishment and operation system.

To further enhance the Group’s on line business services, in February 2021, the Group partnered with foodpanda mall to provide Topvalu food products, HÓ ME CÓ ORDY household products and frozen food products. By June, the whole line of supermarkets was online, offering sales and home delivery services for a variety of supermarket items.

The Group’s Hong Kong operations recorded a 7.0% decrease of revenue to HK\$2,252.6 million in the first half of the year (2020: HK\$2,423.3 million), while loss of the Hong Kong operations increased to HK\$105.9 million (2020: loss of HK\$66.6 million),

### **PRC Operations**

During the period, apart from tense external relations slowing down economic growth in the PRC, the rebound of the COVID-19 pandemic in certain areas also directly affected the pace of recovery of various industries.

Under the influence of COVID-19, customers’ lifestyles and consumption pattern further tend to shop nearby and online. Number of customers visited and shopped in shopping centres was adversely affected. The rebound of the COVID-19 cases reported in May and June 2021 in Guangzhou, Foshan and Dongguan cities had significantly affected the Group’s store business operated in these areas. Some of these stores had to suspend operations temporarily at the command of the authority.

In the first half year, revenue from the PRC operations dropped 6.6% to HK\$2,554.5 million (2020: HK\$2,734.4 million) and recorded a loss of the PRC operations of HK\$123.4 million (2020: profit of HK\$2.1 million).

\* Census and Statistics Department, The Government of the Hong Kong Special Administrative Region

## **PROSPECTS**

### **Hong Kong Operations**

With the pandemic stabilizing in Hong Kong, the territory-wide vaccination drive in progress and the global economy recovering, local unemployment rate has fallen. And, at the push from the Consumption Voucher Scheme, local consumption desire will be released. Facing customers' changing preferences and the new normal, the Group must respond quickly with various measures to improve its performance.

First phase distribution of the consumer vouchers is scheduled for August, and at that, it is believed local consumption will get a boost in the second half of 2021. To capture related opportunities, the Group has organized various promotional activities and has launched different bonus offers, so as to bring in revenue as well as help stimulate and revitalize the local economy .

Following the Kornhill Store, then the Whampoa Store, the Group opened its third "AEON STYLE" store at Gala Place, Mongkok in early August 2021. The new "AEON STYLE" business model aims to provide customers with quality shopping experience and new lifestyle solutions. Heeding the characteristics of the Mongkok clientele, the new store will offer products of the Group's proprietary "TOPVALU" brand and TOPVALU Gurinai Natural food products, which are developed with a focus on health and the environment, and also other new products from Japan, presenting customers with a rich mix of products trendy and of quality on par with those from Japan. Moreover, the store will feature "HÓME CÓORDY", AEON's own brand of popular household products, as well as provide customers with a variety of convenient, delicious and healthy food choices to satisfy their pursuit of quality food and home living.

The Group also entered into a new stage of development of its small scale specialty store business. The Group has entered into a strategic agreement with DAISO Group to set up shops using the name of "DAISO" in Hong Kong. The Group expects the strategic partnership with DAISO Group will expedite opening of small scale store in the future. Since July 2021, the Group has added 3 DAISO shops to its retail network.

### **PRC Operations**

Given that the COVID-19 pandemic remains active in Guangdong Province, the Group will continue to respond to the uncertain economic outlook with prudence.

On the product side, the Group will continue to optimize reforms and expand differentiation, such as increasing the share of our own brands to improve profitability.

However, the Group will move forward with its store expansion plan to open three new stores in the latter half year, in addition to three new stores opened in first half year, thereby achieving the set goal of opening six stores in the Greater Bay Area this year.

At the same time, the Group will also accelerate its digital transformation, including the expansion of O2O and the vigorous promotion of CRM. The Group will also continue to consolidate and upgrade other digital platforms. For example, the Group will continue to improve the "AEON Home Delivery" APP, which provides a series of services such as Aeon Scan & Buy, live online sales and home delivery.

The Group will continue to streamline its operating network, aiming for higher operational efficiency and improvement in business performance.

### **Group**

According to the Group's 2021 investment plan, the estimated total capital expenditure in the second half of the year is approximately HK\$90 million.

Save as previously mentioned or otherwise disclosed herein, no significant events affecting the Group's business have occurred between 30 June 2021 and the date these consolidated financial statements are authorized for issue.

## FINANCIAL REVIEW

In the first half of the year 2021, the Group's revenue decreased by 6.8% year-on-year to HK\$4,807.1 million (2020: HK\$5,157.7 million). Gross profit margin maintained at 28.2% (2020: 28.2%).

As for other income, income derived from sub-lessees and other income increased by HK\$25.0 million, resulted from the recovery of sub-lessee business during the review period whilst it was severely been affected during the outbreak of COVID-19 in last year. Government grants received from the Hong Kong government and municipal governments in PRC totaled HK\$7.6 million, decreased HK\$9.5 million as compared with last year. Other income resulted in an overall increase of 6.8% as compared with last year.

As for operating expenses during the year under review, the Group's staff cost increased by 5.9% and its ratio to revenue increased to 11.8% (2020: 10.4%). Expenses related to the leases dropped by 0.2% and the ratio of leases expenses to sales revenue increased to 12.6% (2020: 11.7%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, increased by 5.3% year-on-year and the ratio of other expenses to revenue was 11.1% (2020: 9.8%).

Included in other gains and losses, amongst others, was exchange gain of HK\$10.9 million (2020: exchange loss of HK\$7.2 million). In addition, impairment loss in respect of goodwill of HK\$43.0 million (2020: Nil), impairment loss in respect of right-of-use assets of HK\$26.3 million (2020: Nil) and impairment loss in respect of property, plant and equipment of HK\$6.9 million (2020: Nil) were recognized in the review period.

Due to the above reasons, loss attributable to owners of the Company for the period under review was HK\$245.4 million (2020: loss of HK\$72.0 million).

The Board declared an interim dividend of HK\$0.03 (2020: HK\$0.05) per share for the six months ended 30 June 2021. In the recommendation or declaration of dividends, the Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant.

During the period, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC and the upgrade of information technology systems amounted to HK\$96.3 million.

The Group also entered into new lease agreements and lease modifications in the review period and recognized an additional right-of-use assets of HK\$135.8 million (2020: HK\$88.1 million) and lease liabilities of HK\$128.5 million (2020: HK\$87.7 million).

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK\$1,789.8 million as at 30 June 2021 (31 December 2020: HK\$2,001.6 million). The Group had no bank borrowing and therefore did not disclose any gearing ratio (which is defined by dividing bank borrowings to equity) and had sufficient internal resources to finance future business expansions.

As at 30 June 2021, deposits of HK\$25.2 million (31 December 2020: HK\$25.0 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK\$7.9 million (31 December 2020: HK\$7.6 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2021 amounted to HK\$4,723.1 million (31 December 2020: HK\$4,870.6 million), of which HK\$785.0 million (31 December 2020: HK\$711.1 million) is payable within one year. The Group's lease liabilities to equity ratio as at 30 June 2021 (defined as the total lease liabilities divided by total equity) was 829% (31 December 2020: 573%).

As at 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$324.0 million (31 December 2020: net current liabilities of HK\$94.3 million). The Group has a number of financial sources available to fund its operations and in the foreseeable future and will be able to meet its financial obligations when they fall due.

## **CORPORATE GOALS**

The Group will strive to satisfy the basic needs of customers and provide their daily necessities while also adapting to the changes in customer consumption habits. It will (1) continue to uphold the “Everything we do, we do for our customers” credo; (2) realize healthy growth under conditions of fierce competition; (3) concentrate on smooth store operations and (4) roll out innovative ideas and concepts. The Group believes that by implementing these strategies, it will be able to create stable and satisfactory returns for shareholders and stakeholders.

## **HUMAN RESOURCES**

As at 30 June 2021, the Group had approximately 6,900 full-time and 2,600 part-time employees in Hong Kong and the PRC. Under the “Everything we do, we do for our customers” credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group’s ultimate goal is to build AEON into a brand that benefits all customers.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and with the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2021 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Board has complied throughout the six months ended 30 June 2021 with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Having made specific enquiries with all Directors, the Company confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2021 with management.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The interim report for the six months ended 30 June 2021 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 of  
**AEON Stores (Hong Kong) Co., Limited**  
**Isei NAKAGAWA**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara, Mr. Chak Kam Yuen, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Ms. Yuki Habu, and Mr. Makoto Fukuda; and the Independent Non-executive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty, Mr. Chow Chi Tong and Mr. Hideto Mizuno.*