Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

2019 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 2019 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Revenue	3	**9,493,774**	9,675,891
Other income	5	**545,918**	572,227
Investment income		**27,430**	27,470
Interest income from rental deposits		**10,316**	-
Purchases of goods and changes in inventories		**(6,656,159)**	(6,676,251)
Staff costs		**(1,077,474)**	(1,175,440)
Depreciation of investment properties		**(85,247)**	-
Depreciation of property, plant and equipment		**(209,769)**	(223,441)
Depreciation of right-of-use assets		**(749,094)**	-
Lease expenses		**(84,831)**	(1,125,946)
Other expenses	6	**(1,063,992)**	(1,063,111)
Pre-operating expenses		**(2,694)**	(12,608)
Other gains and losses	7	**(12,719)**	(22,050)
Interest on lease liabilities		**(303,414)**	-
Loss before tax		**(167,955)**	(23,259)
Income tax expense	8	**(21,032)**	(19,718)
Loss for the year		**(188,987)**	(42,977)
(Loss) profit for the year attributable to:			
Owners of the Company		**(188,726)**	(49,224)
Non-controlling interest		**(261)**	6,247
		(188,987)	(42,977)
Loss per share - basic	10	**72.59 HK cents**	18.93 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 **HK$'000**	2018 HK$'000
Loss for the year	**(188,987)**	(42,977)
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	**(2,947)**	2,387
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(453)**	(10,294)
Other comprehensive expense for the year, net of income tax	**(3,400)**	(7,907)
Total comprehensive expense for the year	**(192,387)**	(50,884)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(190,768)**	(50,350)
Non-controlling interest	**(1,619)**	(534)
	(192,387)	(50,884)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		HK$'000	HK$'000
Non-current Assets			
Property, plant and equipment		**679,741**	796,071
Right-of-use assets		**3,902,352**	-
Investment properties		**488,352**	-
Goodwill		**94,838**	94,838
Equity instruments at FVTOCI		**23,598**	26,545
Pledged bank deposits		**21,305**	25,001
Deferred tax assets		**46,944**	48,736
Rental and related deposits paid		**184,349**	263,826
		5,441,479	1,255,017
Current Assets			
Inventories		**935,949**	856,763
Trade receivables	11	**35,316**	55,368
Other receivables, prepayments and deposits		**83,346**	140,213
Amounts due from fellow subsidiaries		**63,995**	53,805
Tax recoverable		**8,532**	2,284
Time deposits		**327,567**	358,095
Pledged bank deposits		**10,751**	14,852
Bank balances and cash		**1,470,515**	1,651,349
		2,935,971	3,132,729
Current Liabilities			
Trade payables	12	**1,250,087**	1,250,497
Other payables, accrued charges and other liabilities		**729,068**	846,229
Lease liabilities		**762,137**	-
Contract liabilities		**409,426**	393,557
Dividend payable		**354**	426
Amount due to ultimate holding company		**28,665**	30,980
Amounts due to fellow subsidiaries		**100,979**	77,234
Tax liabilities		**16,859**	-
		3,297,575	2,598,923
Net Current (Liabilities) Assets		**(361,604)**	533,806
Total Assets Less Current Liabilities		**5,079,875**	1,788,823
Capital and Reserves			
Share capital		**115,158**	115,158
Reserves		**658,374**	1,325,889
Equity attributable to owners of the Company		**773,532**	1,441,047
Non-controlling interest		**132,752**	137,136
Total Equity		**906,284**	1,578,183
Non-current Liabilities			
Rental deposits received and other liabilities		**133,916**	209,251
Lease liabilities		**4,038,563**	-
Deferred tax liabilities		**1,112**	1,389
		4,173,591	210,640
		5,079,875	1,788,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. 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 by the Hong Kong Companies Ordinance.

The financial information relating to the years ended 31 December 2019 and 2018 included in these preliminary announcements of annual results for the years ended 31 December 2019 and 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. 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 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$361,604,000 at 31 December 2019. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations. Taking into account the available banking facilities, the directors of the Company are confident that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

New and Amendments to HKFRSs that are mandatorily effective for the current year *– continued*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS I6 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS l7 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition, while the group entities recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

***New and Amendments to HKFRSs that are mandatorily effective for the current year** – continued*

***HKFRS 16 Leases** - continued*

As a lessee - continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied range from 5.77% to 7.89%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	4,655,187
Less: Operating lease commitments of new assets which have not commenced as at 1 January 2019	(24,188)
	4,630,999
Lease liabilities discounted at relevant incremental borrowing rates	3,674,532
Add: Termination options reasonably certain not to be exercised	1,312,456
Less: Recognition exemption - short-term leases	(2,662)
Less: Practical expedient - leases with lease term ending within 12 months from the date of initial application	(45,721)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	4,938,605
Analysed as:	
Current	719,481
Non-current	4,219,124
	4,938,605

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		4,576,131
Amounts included in property, plant and equipment as at 31 December 2018		
-Restoration and reinstatement costs	(a)	28,289
Adjustments on rental deposits at 1 January 2019	(b)	78,893
Adjustments on advance lease payments at 1 January 2019		693
Less: Accrued lease liabilities relating to rent-free period and progressive rent at 1 January 2019	(c)	(111,370)
Less: Leased properties under sub-leases	(d)	(525,782)
		4,046,854

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

New and Amendments to HKFRSs that are mandatorily effective for the current year *– continued*

HKFRS I6 Leases *- continued*

As a lessee - continued

Notes:

(a) In relation to the leases of retail stores that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK$28,289,000 as at 1 January 2019 were included as right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$78,893,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) Rent-free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Lease payments increase progressively over lease terms.

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

(d) The right-of-use assets for leased properties held for sub-leases under operating lease meet the definition of investment properties.

At the date of initial application, leased properties under sub-leases were assessed whether the sub-leases classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sub-lease at that date. In the case of all sub-leases that are classified as operating lease, the related right-of-use assets of HK$531,116,000, net of corresponding accumulated depreciation of HK$5,334,000, are classified as investment properties and are measured at cost model in accordance with the Group's accounting policies of investment properties.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

New and Amendments to HKFRSs that are mandatorily effective for the current year *– continued*

HKFRS I6 Leases *- continued*

As a lessor - continued

(e) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(f) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, there is no material adjustment to refundable rental deposits received as at 1 January 2019 and during the current year.

(g) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following table summarises the impact of transition of HKFRS 16 on retained profits at 1 January 2019:

	Impact on adopting HKFRS 16 at 1 January 2019 HK$'000
Retained profits	
Depreciation of right-of-use assets from commencement dates upon application of HKFRS 16	1,900,214
Interest on lease liabilities from commencement dates upon application of HKFRS 16	874,516
Less: Lease expenses under HKAS 17 before 1 January 2019	(2,412,256)
Impact at 1 January 2019	362,474

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs – continued

***New and Amendments to HKFRSs that are mandatorily effective for the current year** – continued*

***HKFRS I6 Leases** - continued*

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		HK$'000	HK$'000	HK$'000
Non-current Assets				
Property, plant and equipment	(a)	796,071	(28,289)	767,782
Right-of-use assets		-	4,046,854	4,046,854
Investment properties	(d)	-	525,782	525,782
Rental and related deposits paid	(b)	263,826	(78,893)	184,933
Current Asset				
Other receivables, prepayments and deposits		140,213	(693)	139,520
Current Liabilities				
Other payables, accrued charges and other liabilities	(c)	846,229	(111,370)	734,859
Lease liabilities		-	719,481	719,481
Non-current Liability				
Lease liabilities		-	4,219,124	4,219,124
Capital and Reserves				
Reserves		1,325,889	(362,474)	963,415

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

The application of HKFRS 16 as a lessor has no material impact on the consolidated financial statements as at 1 January 2019 and during the current year.

3. REVENUE

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

3. **REVENUE**– continued

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Direct sales	**3,909,190**	**4,917,032**	**8,826,222**
Income from concessionaire sales	**329,762**	**337,790**	**667,552**
	4,238,952	**5,254,822**	**9,493,774**

	For the year ended 31 December 2018		
	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
Direct sales	4,000,589	4,893,791	8,894,380
Income from concessionaire sales	376,315	405,196	781,511
	4,376,904	5,298,987	9,675,891

(ii) Performance obligations for contracts with customers

Direct sales

The Group sells merchandise directly to customers both through its own retail stores and through internet sales.

For sales of merchandise to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer’s specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

The Group also grants award credits for customers under the Group’s customer loyalty scheme, revenue is recognised when control of the goods has transferred being at the point the customer purchases the goods using the award credits at the retail stores.

There is no term on goods return under the Group’s standard contract but generally the Group allows the customers to exchange the goods within one week in the case of faulty items.

Income from concessionaire sales

Under concessionaire sales, the Group acts as an agent to arrange for licensees to sell their goods in the retail stores of the Group. Income from concessionaire sales is recognised when the goods of the licensees have been sold based on certain percentage of the sales amount.

3. **REVENUE**– continued

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2019 and 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

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 in terms of nature of products, type of customers and nature of the regulatory environment. The chief operating decision makers identify Hong Kong and the People's Republic of China ("PRC") as the two reportable segments.

Segment revenues and results

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

For the year ended 31 December 2019

	Hong Kong	**PRC**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Segment revenue – external	**4,238,952**	**5,254,822**	**9,493,774**
Segment loss	**(114,775)**	**(80,610)**	**(195,385)**
Investment income			**27,430**
Loss before tax			**(167,955)**

For the year ended 31 December 2018

	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
Segment revenue - external	4,376,904	5,298,987	9,675,891
Segment profit (loss)	9,057	(59,786)	(50,729)
Investment income			27,470
Loss before tax			(23,259)

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

4. OPERATING SEGMENTS – continued

Segment revenues and results – continued

There is no inter-segment revenue for both years.

The chief operating decision makers make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the chief operating decision makers do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Rental income from investment properties	**395,039**	-
Rental income from sub-leases	**-**	448,005
Others	**150,879**	124,222
	545,918	572,227

6. OTHER EXPENSES

	2019	2018
	HK$'000	HK$'000
Advertising, promotion and selling expenses	**273,952**	297,499
Maintenance and repair expenses	**351,463**	341,583
Others	**274,107**	246,215
Utilities expenses	**164,470**	177,814
	1,063,992	1,063,111

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
Exchange loss, net	**(8,956)**	(8,823)
Impairment loss recognised in respect of property, plant and equipment	**(1,021)**	(8,062)
Impairment loss recognised in respect of right-of-use assets	**(7,963)**	-
Loss on disposal/written off of property, plant and equipment	**(3,394)**	(5,165)
Gain on termination of lease contracts	**8,615**	-
	(12,719)	(22,050)

8. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
The charges comprise:		
Current tax		
PRC Enterprise Income Tax	**18,766**	-
PRC withholding tax	**1,216**	310
	19,982	310
Under provision in prior years	**-**	225
Deferred tax		
Current year	**1,050**	19,183
Income tax expense for the year	**21,032**	19,718

No provision for Hong Kong Profits Tax is made for both years as the assessable profits are fully absorbed by tax loss brought forward.

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% for both years.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. 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.

9. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Final dividend paid for 2018 of 22 HK cents (2018: 22 HK cents for 2017) per ordinary share	**57,200**	57,200
Interim dividend paid for 2019 of 22 HK cents (2018: 22 HK cents for 2018) per ordinary share	**57,200**	57,200
	114,400	114,400

The Board of Directors has recommended a final dividend of 5 HK cents per share (2018: 22 HK cents) to be paid on or before 26 June 2020, subject to shareholders' approval at the forthcoming annual general meeting on 26 May 2020.

10. 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 year attributable to owners of the Company of HK$188,726,000 (2018: HK$49,224,000) and on 260,000,000 (2018: 260,000,000) ordinary shares in issue during the year.

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

11. TRADE RECEIVABLES

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

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**35,128**	54,905
31 to 60 days	**13**	22
Over 60 days	**175**	441
	35,316	55,368

12. TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
0 to 60 days	**1,076,522**	1,052,703
61 to 90 days	**70,460**	85,816
Over 90 days	**103,105**	111,978
	1,250,087	1,250,497

13. EVENT AFTER THE REPORTING PERIOD

Arising from the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak and unpredictability of future development, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results for the first half and full year of 2020, at the date on which these consolidated financial statements are authorised for issue.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 May 2020 to 26 May 2020 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting, during which period no transfers of Shares will be registered. In order to qualify for the attending and voting 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 Level 54 Hopewell Centre, 183 Queen's Road East Hong Kong not later than 4:30 p.m. on 20 May 2020.

The Register of Members of the Company will be closed from 4 June 2020 to 5 June 2020 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend to be approved 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 Level 54 Hopewell Centre, 183 Queen's Road East Hong Kong not later than 4:30 p.m. on 3 June 2020**.**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the economy of Hong Kong has been affected by the Sino-US trade conflict since the previous year, which led to a decline in both imports and exports. Concurrently, the number of tourists was also cut sharply due to social unrest, which further weakened consumer confidence. As part of the retail industry, in response to the changes in consumer confidence in the first half, the Group took action to stimulate sales amidst a sluggish consumer market, so its performance in the second half improved over the first half.

Hong Kong Operations

The retail industry in the city in the first half of the year was affected by uncertainties including the Sino-US trade conflict since the previous year and the resulting drop in trade. Stepping into the second half of the year, people refrained from going out for shopping due to the social unrest. Adding to the uncertainties that overshadowed the situation, the sale of large commodities was suppressed, and the overall consumption environment of the retail industry has changed.

The Group's business model focuses on the General Merchandise Store ("GMS") business, while the food business has steadily developed. But weak consumer confidence had a ripple effect on the performance of other operations including apparel and daily commodities.

However, against the backdrop of the downward trend of the local retail market, the Group managed to alleviate the decrease through more effective sales and daily operation. Besides, as it has anticipated weaker consumer confidence, the Group has enhanced its control measures over various operating expenses in the year under review, so its performance in the second half outperformed that in the first half of the year.

The Group has steadfastly faced the challenges. In 2020, its strategy will echo the needs of customers, to improve the shopping environment and provide innovative products and malls (was already in place in the second half of the year):

1. To reduce the queuing time of customers, the self-service cashier system has been upgraded and "POS Express" which accepts payment via mobile phone was introduced with loyalty member services being digitalized as well.

2. Direct imports of proprietary brand (TOPVALU) and national brand merchandise from Japan in the year. The Group has purchased a variety of unique and higher margin commodities to enrich its product mix.

3. The Kowloon Bay store completed renovation last September, and introduced AEON Japan's proprietary brand – a functional casual underwear store "iC innercasual". AEON's first overseas "HÓME CÓORDY", which sells different household products, was opened at the Kornhill store in December 2019. The store has been well-received by customers after opening and recorded a satisfactory sales performance.

BUSINESS REVIEW - continued

Hong Kong Operations - continued

4. The Group opened six "Living Plaza" outlets during the year, which mainly sell daily commodities, and is developing into a store that allows consumers to buy daily necessities at one convenient location.

5. To strengthen the operational foundation and improve productivity in 2020 and beyond, the Group has completed the replacement of the new ERP system, and has laid a foundation for digitalization, informatization and better logistic efficiency.

As at 31 December 2019, the Group operated 65 stores in Hong Kong.

For the year ended 31 December 2019, revenue from Hong Kong operations dropped slightly by 3.2% to HK$4,239,000,000 (2018: HK$4,376,900,000). Mainly under the effects of the new accounting standards, therefore, the Hong Kong segment ultimately recorded a loss of HK$114,800,000 (2018: profit HK$9,100,000).

PRC Operations

Affected by the Sino-US trade dispute and the reduction of imports and exports, the economic growth of China further decelerated to 6.1% in 2019, but local consumption showed signs of a rebound under the policy support of the government.

Regarding its PRC operations, the Group's Guangdong AEON and AEON South China companies opened two new stores in 2019 in line with the execution of the annual plan, while closing three stores. The two companies leveraged their accumulated knowledge of opening new stores, as demonstrated by the new stores opening in 2019 recording a profit in the first operating year.

After closing some stores in the year of 2018-2019, Guangdong AEON and AEON South China further reduced the costs through consolidating duplicate business, while increasing profit and business income through centralized procurement.

As at 31 December 2019, the Group operated 33 stores in the PRC.

For the year ended 31 December 2019, revenue from the PRC operations dropped slightly year-on-year by 0.8% to HK$5,254,800,000 (2018: HK$5,299,000,000). However, mainly under the effects of new accounting standards, the segment recorded a loss of HK$80,600,000 (2018: loss HK$59,800,000) in the year.

FINANCIAL REVIEW

Amid a challenging business environment, the Group's revenue was stable in the year, reaching HK$9,493,800,000 (2018: HK$9,675,900,000). Gross profit margin only adjusted modestly to 29.9% (2018：31.0%).

FINANCIAL REVIEW- continued

The Group began to use the Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16"), which became effective for financial periods beginning on or after 1 January 2019 and which superseded the previous Hong Kong Accounting Standard 17 Leases ("HKAS 17"), on 1 January 2019. The Group, as a lessee, has selected the modified retrospective approach for the application of HKFRS 16 and the cumulative effect of initial application that was recognized in the opening retained profits without restating comparative information (More information about the changes caused by the application of HKFRS 16 can be found in the notes to the financial statements). Changes of the financial standards during the reporting period and the newly-added lease liabilities on the balance sheet resulted in an increase in the expenses related to the leases signed by the Group, and thereby led to a significant year-on-year change in its business results.

Due to the above reasons, loss attributable to owners of the Company for the year was HK$188,700,000 (2018: loss of HK$49,200,000). The change of the accounting standard has led to an increase of HK$96,600,000 in expenses related to leases when compared with the same period last year. The loss attributable to owners of the Company reported by the Group for the six months ended 30 June 2019 increased by approximately HK$100,000,000 when compared with the same period of 2018. The loss in the second half of 2019 rose by approximately HK$40,000,000 and the increase in loss was less than that of the first half of 2019.

In the recommendation or declaration of dividends, the Board has reviewed the dividend policy and takes into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. The Board will review such dividend policy as appropriate from time to time. Based on the aforementioned factors, the Board proposed a final dividend of HK$0.05 (2018: HK$0.22) per share for the year ended 31 December 2019. Together with the interim dividend of HK$0.22 (2018: HK$0.22) per share, the total dividends for the year is HK$0.27 (2018: HK$0.44) per share as a reward to shareholders for their support.

During the year, the Group continued to implement effective cost control measures. Consequently, its staff cost declined by 8.3% and its ratio to sales revenue dropped to 11.3% (2018: 12.1%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses and other expenses maintained at similar level as last year and the ratio of other expenses to revenue slightly increased to 11.2% (2018: 11.0%).

Other gains and losses recorded a decrease in loss to HK$12,700,000 from a loss of HK$22,100,000 in last year, mainly due to a gain of HK$8,600,000 (2018: nil) related to store closure recorded during the year.

In 2019, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC and the upgrade of the information technology system amounted to HK$130,500,000.

After the Group started recognizing the right-of-use assets and investment properties on 1 January 2019, the Group entered into new lease agreements and lease modifications, and recognized an additional HK$625,200,000 in right-of-use assets and HK$58,700,000 in investment properties.

The Group maintained a net cash position with cash and bank balances and short term time deposits amounting to HK$1,798,100,000 as at 31 December 2019 (2018: HK$2,009,400,000). The Group had no bank borrowing as at the year ended date and had sufficient internal resources to finance future business expansion.

FINANCIAL REVIEW- continued

As at 31 December 2019, deposits of HK$24,100,000 (2018: HK$31,600,000) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$7,900,000 (2018: HK$8,200,000) were pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 31 December 2019 amounted to HK$4,800,700,000, of which HK$762,100,000 was payable within one year. The Group's lease liabilities-to-equity ratio as at 31 December 2019 (defined as the total lease liabilities divided by equity attributable to the owners of the Company) was 621%.

As at 31 December 2019, the Group's current liabilities exceeded its current assets by HK$361,600,000 (31 December 2018: net current assets of HK$533,800,000). This was primarily attributed to the adoption of HKFRS 16 which resulted in an increase in current lease liabilities of HK$762,100,000. The Group has a number of financial sources available to fund its operations and in the foreseeable future will be able to meet its financial obligations when they fall due.

PROSPECTS FOR 2020

Hong Kong Operations

At the end of 2019, China and US concluded and signed Phase 1 of their trade agreement and this presented a silver lining for Hong Kong's economic recovery. However, the novel coronavirus (COVID-19) outbreak after the Lunar New Year in 2020 brought new uncertainties to the business environment. Further measures are needed to cope with the changes in the consumption behaviour of customers.

Starting from the end of January with the COVID-19 outbreak, the consumption behaviour of Hong Kong customers has changed. People are going out less frequently, electing to stay at home. In particular, they are purchasing large amounts of food reserves, hygiene, cleaning and antibacterial items. As a retail industry player, the Group has embraced the mission of supporting the community. Hence, the Group, through the worldwide procurement channels of AEON Japan Group, has sourced the merchandise, from Japan, China and South East Asia which are needed by Hong Kong residents, and has strived to assure the offering of hygiene products required by the stores.

1. The Group will implement extensive renovation in its Tuen Mun store, one of its core retail outlets.

   Facing the changes in the market, in order to increase the sales proportion of local customers, the Group will enhance differentiation of the food division, strengthen the variety of fresh food such as fish, meat and vegetables, and enrich the portfolio of processed food, which is primarily made in Japan, with the aim of becoming the leading store in the district.

   The Group will reorganize its apparel and household merchandise categories, which are family-oriented, along with the store layout. It will also actively introduce brands under AEON Japan Group. Moreover, it will carry out small-scale renovations in three stores elsewhere in Hong Kong.

2. The Group has changed to direct procurement model since 2019. It purchases its merchandise mix formulated by AEON Group in Japan directly from Japanese manufacturers, with special focus on four house brands namely "iC innercasual", "HÓME CÓORDY", "Kids Republic" and "Glam Beautique".

   As for food, the Group is building a system which speeds up the introduction of new Japanese merchandise.

PROSPECTS FOR 2020- continued

Hong Kong Operations- continued

It hopes to further increase the sales proportion of its own branded products and hence improve its overall gross profit margin by no longer relying on third party suppliers.

3. In the process of addressing different issues in the retail industry, the Group believes that enhancing efficiency in daily operations can help to boost profit. Therefore, it is essential to minimize inventory in the warehouses of stores as well as shorten the turnover days of inventory. Thus the Group plans to change its logistics warehouses and strengthen its cooperation with logistics service providers in 2020 , hoping to increase inventory turnover and hence working capital.

4. To facilitate business growth of Living Plaza and increase its revenue, the planned number of new stores opened by the Group in 2020 exceeds that in 2019. The Group is reviewing and optimizing its store opening, construction and operation systems.

5. The Group expects the strategy to digitalize its daily operations, back-end support, etc. to bear fruit this year. It has added self-service cashier systems and the "POS Express" mobile payment system in daily operation in order to accelerate payment and reduce labour. It has also developed online shopping platforms such as an e-commerce platform to provide convenience to customers. These efforts have allowed the Group to conduct real-time inventory control at stores and shorten delivery time.

In 2020, the Group will continue efforts to push up revenue and control costs in order to achieve net profit growth.

PRC Operations

The market looked forward to economic recovery following the signing of the Phase One trade deal between the PRC and the US at the end of last year. However, the nationwide outbreak of COVID-19 in the PRC after Chinese New Year has added uncertainties to the operating environment. Guangdong AEON and South China AEON have acquired the government's approval to continue to operate food business. The Group targets to procure daily necessities, in particular food products, and support the basic needs of the community. It also supplies merchandise to support the operation of stores and implements strict hygiene management to ensure the safety of staff. In addition, to address the needs of customers who are unable to go out, the Group has enhanced the services of its online supermarket. Under the current uncertain operating environment, the Group has actively responded to changes in customers' needs and ensured the continuous operation of its stores.

In 2020

1. As part of its strategy to boost growth, the Group will increase the number of new stores (7 expected) which will mainly be GMS. Its key challenge for the year is to implement the key strategy of opening small supermarkets in Guangzhou.

2. In terms of merchandise improvement, the Group will step up the development and sales volume of the TOPVALU brand in the PRC, aiming to differentiate the brand and improve its profit. It also plans to introduce "iC innercasual" and "HÓME CÓORDY" stores to the PRC market. These two brands have achieved good progress in Hong Kong. The Group will also expand beauty-related counters in the PRC.

PROSPECTS FOR 2020- continued

PRC Operations- continued

3. Regarding the promotion of digitalized operations, the Group will 1) expand O2O sales of online supermarkets; 2) upgrade its CRM strategy and expand its stable customer base by strengthening customer loyalty and 3) further promote centralized operation of Guangdong AEON and South China AEON stores to rationalize resources.

For the Group's investment plans in 2020, in Hong Kong, the Group will carry out renovation in four of its stores including mainly the Tuen Mun store and also open new Living Plaza stores while renovating existing stores. In the PRC, the Group's key investment plans include opening new stores and small supermarkets. The expected total capital expenditure is approximately HK$299,700,000.

Save as previously mentioned or otherwise disclosed herein, there are no important events affecting the business of the Group which have occurred since 31 December 2019 up to the date these consolidated financial statements are authorised for issue.

CORPORATE GOALS

The Group will strive to provide daily necessities in order to satisfy the basic needs of customers in the community and also adapt to the changes in the consumption habits of customers. 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 by implementing these strategies, it will be able to create stable and satisfactory returns for shareholders and stakeholders.

HUMAN RESOURCES

As at 31 December 2019, the Group had about 6,600 full-time and 3,800 part-time employees in Hong Kong and the PRC. Under the "Everything we do, we do for our customers" credo, in order to deliver the highest standard of service to all customers, the Group will continue to enhance the skills and professional knowledge of its employees by providing them with essential education opportunities. Under a fair human resources system, the Group will create an energetic work environment for staff and enhance the communications between on-site staff and the back-end support departments, hoping to build a system that facilitates prompt action to address business issues. The Group's ultimate goal is build the "AEON" brand that benefits all customers.

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.

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 year ended 31 December 2019 and up to the date of this report.

CORPORATE GOVERNANCE

The Board of the Company has complied throughout the year ended 31 December 2019 with the code provisions set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report contained in Appendix 14 to the Listing Rules except for the deviation disclosed below:

CORPORATE GOVERNANCE- continued

Under code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Board considered that the duties of the Managing Director ("MD") were no difference from that required of a chief executive stipulated under the code provision A.2.1 of the CG Code. The management would regard that the term of Managing Director will have the same meaning as the chief executive of the Company.

During the period from 1 January 2019 to 15 May 2019, Ms. Yuki Habu ("Ms. Habu") was the Chairman of the Board and the MD of the Company. Mr. Isei Nakagawa has been appointed as the MD in place of Ms. Habu since 16 May 2019, whereupon the roles of the Chairman and the Managing Director of the Company are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual for the purpose of code provision A.2.1.

The role of Chairman of the Board is responsible for the leadership and effective running of the Board, and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively. The MD is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 existing Directors, the Company confirms that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2019 with management.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2019 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
Yuki HABU
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Executive Directors are Mr. Isei Nakagawa, Mr. Chak Kam Yuen , Mr. Lau Chi Sum Sam and Mr. Takenori Nagashima; the Non-executive Directors are Ms.Yuki Habu and Mr. Akinori Yamashita ; 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.