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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)

**2020 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 2020 together with comparative figures for the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<u>NOTES</u>	<b>Six months ended</b>	
		<u><b>30.6.2020</b></u> <b>HK\$'000</b> (unaudited)	<u><b>30.6.2019</b></u> <b>HK\$'000</b> (unaudited)
Revenue	3	<b>5,157,673</b>	4,829,780
Other income	4	<b>229,320</b>	270,906
Investment income		<b>11,509</b>	13,704
Interest income from rental deposits		<b>5,386</b>	5,352
Purchase of goods and changes in inventories		<b>(3,701,983)</b>	(3,405,365)
Staff costs		<b>(534,468)</b>	(569,349)
Depreciation of investment properties		<b>(33,944)</b>	(43,673)
Depreciation of property, plant and equipment		<b>(99,186)</b>	(105,594)
Depreciation of right-of-use assets		<b>(368,816)</b>	(378,593)
Leases expenses		<b>(57,687)</b>	(61,358)
Other expenses	6	<b>(507,686)</b>	(535,820)
Pre-operating expenses		<b>(644)</b>	(1,661)
Other gains and losses	5	<b>(8,602)</b>	(3,527)
Interest on lease liabilities		<b>(143,857)</b>	(155,685)
Loss before tax		<b>(52,985)</b>	(140,883)
Income tax expense	7	<b>(10,056)</b>	(7,053)
Loss for the period		<b>(63,041)</b>	(147,936)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(72,029)</b>	(149,096)
Non-controlling interest		<b>8,988</b>	1,160
		<b>(63,041)</b>	(147,936)
Loss per share	9	<b>(27.70) HK cents</b>	(57.34) HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Six months ended</b>	
	<b><u>30.6.2020</u></b>	<b><u>30.6.2019</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period	<b><u>(63,041)</u></b>	<b><u>(147,936)</u></b>
<b>Other comprehensive (expense) income</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>(2,810)</b>	102
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b><u>(2,785)</u></b>	<u>3,233</u>
Other comprehensive (expense) income for the period, net of income tax	<b><u>(5,595)</u></b>	<u>3,335</u>
Total comprehensive expense for the period	<b><u><u>(68,636)</u></u></b>	<b><u><u>(144,601)</u></u></b>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	<b>(74,263)</b>	(147,123)
Non-controlling interests	<b><u>5,627</u></b>	<u>2,522</u>
	<b><u><u>(68,636)</u></u></b>	<b><u><u>(144,601)</u></u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

	<u>NOTES</u>	<u>30.6.2020</u> <u>HK\$'000</u> (unaudited)	<u>31.12.2019</u> <u>HK\$'000</u> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		637,722	679,741
Right-of-use assets		3,636,335	3,902,352
Investment properties		402,971	488,352
Goodwill		94,838	94,838
Equity instruments at FVTOCI		20,788	23,598
Pledged bank deposits		20,037	21,305
Deferred tax assets		41,770	46,944
Rental and related deposits paid		187,082	184,349
		<u>5,041,543</u>	<u>5,441,479</u>
<b>Current Assets</b>			
Inventories		858,910	935,949
Trade receivables	10	30,305	35,316
Other receivables, prepayments and deposits		109,158	83,346
Amounts due from fellow subsidiaries		53,469	63,995
Tax recoverable		8,532	8,532
Time deposits		478,746	327,567
Pledged bank deposits		10,489	10,751
Bank balances and cash		1,335,562	1,470,515
		<u>2,885,171</u>	<u>2,935,971</u>
<b>Current Liabilities</b>			
Trade payables	11	1,204,029	1,250,087
Other payables, accrued charges and other liabilities		713,204	729,068
Lease liabilities		775,572	762,137
Contract liabilities		385,285	409,426
Dividend payable		7,695	354
Amount due to ultimate holding company		40,431	28,665
Amounts due to fellow subsidiaries		90,916	100,979
Tax liabilities		4,552	16,859
		<u>3,221,684</u>	<u>3,297,575</u>
<b>Net Current Liabilities</b>		<b>(336,513)</b>	<b>(361,604)</b>
<b>Total Assets Less Current Liabilities</b>		<b><u>4,705,030</u></b>	<b><u>5,079,875</u></b>
<b>Capital and Reserves</b>			
Share capital		115,158	115,158
Reserves		571,166	658,374
Equity attributable to owners of the Company		<u>686,324</u>	<u>773,532</u>
Non-controlling interests		138,379	132,752
<b>Total Equity</b>		<b><u>824,703</u></b>	<b><u>906,284</u></b>
<b>Non-current Liabilities</b>			
Rental deposits received and other liabilities		126,804	133,916
Lease liabilities		3,751,939	4,038,563
Deferred tax liabilities		1,584	1,112
		<u>3,880,327</u>	<u>4,173,591</u>
		<b><u>4,705,030</u></b>	<b><u>5,079,875</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 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 2019 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 2019 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\$336,513,000 at 30 June 2020. 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 of the available banking facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

### 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

#### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 1  
and HKAS 8

Definition of Material

Amendments to HKFRS 3  
Amendments to HKFRS 9,  
HKAS 39 and HKFRS7

Definition of a Business

Interest Rate Benchmark Reform

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

### *Application of amendments to HKFRSs - continued*

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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.

#### **2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

#### **2.2 Accounting policies newly applied by the Group**

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

##### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

## 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.

### 3. REVENUE AND SEGMENT INFORMATION - continued

#### Disaggregation of revenue from contracts with customers

	<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	<u>134,857</u>	<u>118,534</u>	<u>253,391</u>
	<u><u>2,423,310</u></u>	<u><u>2,734,363</u></u>	<u><u>5,157,673</u></u>
	<u>Six months ended 30.6.2019</u>		
	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	1,917,985	2,561,054	4,479,039
Income from concessionaire sales	<u>173,599</u>	<u>177,142</u>	<u>350,741</u>
	<u><u>2,091,584</u></u>	<u><u>2,738,196</u></u>	<u><u>4,829,780</u></u>

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

#### 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	<u>2,423,310</u>	<u>2,734,363</u>	<u>5,157,673</u>
Segment (loss) profit	<u>(66,563)</u>	<u>2,069</u>	<u>(64,494)</u>
Investment income			<u>11,509</u>
Loss before tax			<u><u>(52,985)</u></u>

#### For the six months ended 30 June 2019

	<u>Hong Kong</u> HK\$'000	<u>PRC</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	<u>2,091,584</u>	<u>2,738,196</u>	<u>4,829,780</u>
Segment loss	<u>(89,000)</u>	<u>(65,587)</u>	<u>(154,587)</u>
Investment income			<u>13,704</u>
Loss before tax			<u><u>(140,883)</u></u>

Segment (loss) profit represents the (loss) profit of 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. OTHER INCOME

	Six months ended	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
Rental income from investment properties	159,940	200,969
Government grants	17,103	-
Management fee and other income from lessees	38,624	44,986
Compensation from closure of store	-	7,207
Others	13,653	17,744
	<u>229,320</u>	<u>270,906</u>

During the current interim period, the Group recognised government grants of 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\$4,083,000 relating to subsidies granted by municipal governments in PRC.

#### 5. OTHER GAINS AND LOSSES

	Six months ended	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
Exchange loss, net	(7,217)	(2,520)
Loss on disposal/written off of property, plant and equipment	(1,385)	(1,007)
	<u>(8,602)</u>	<u>(3,527)</u>

#### 6. OTHER EXPENSES

	Six months ended	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
Advertising, promotion and selling expenses	149,855	149,940
Maintenance and repair expenses	169,715	174,467
Administrative expenses	117,142	125,826
Utilities expenses	67,585	82,238
Others	3,389	3,349
	<u>507,686</u>	<u>535,820</u>

#### 7. INCOME TAX EXPENSE

	Six months ended	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	4,547	6,524
PRC withholding tax	832	-
Deferred tax	4,677	529
Income tax expense for the period	<u>10,056</u>	<u>7,053</u>

## 7 INCOME TAX EXPENSE - continued

No provision for Hong Kong Profits Tax is made as the Company has no assessable profit for the six months ended 30 June 2020 and 30 June 2019.

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. DIVIDENDS

	<b>Six months ended</b>	
	<b><u>30.6.2020</u></b>	<b><u>30.6.2019</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2019 of 5.0 HK cents (six months ended 30.6.2019: 22.0 HK cents for 2018 final dividend) per ordinary share	<b><u>13,000</u></b>	<b><u>57,200</u></b>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 5.0 HK cents (six months ended 30.6.2019: 22.0 HK cents) per ordinary share amounting to HK\$13,000,000 (six months ended 30.6.2019: HK\$57,200,000) will be paid to the owners of the Company whose names appear in the Register of Members on 9 October 2020. The interim dividend will be paid on or before 30 October 2020.

## 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\$72,029,000 (six months ended 30.6.2019: loss of HK\$149,096,000) and on 260,000,000 (six months ended 30.6.2019: 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:

	<b><u>30.6.2020</u></b>	<b><u>31.12.2019</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>27,796</b>	35,128
31 to 60 days	<b>47</b>	13
Over 60 days	<b><u>2,462</u></b>	<u>175</u>
	<b><u><u>30,305</u></u></b>	<b><u><u>35,316</u></u></b>



## 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>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
0 to 60 days	1,062,370	1,076,522
61 to 90 days	44,156	70,460
Over 90 days	97,503	103,105
	<u>1,204,029</u>	<u>1,250,087</u>

## 12. EVENT AFTER THE END OF REPORTING PERIOD

### Government grants in respect of Covid-19-related subsidies

As disclosed in note 4, the Group received government grants of HK\$17,103,000 during the current interim period, in which HK\$15,477,000 are Covid-19-related subsidies.

As at end of the reporting period, the Group applied for the first tranche of the Employment Support Scheme under the Anti-Epidemic Fund of Hong Kong Government, which aims to retain employment during the challenge of Covid-19. As a condition of receiving such grants from the Employment Support Scheme, the Group undertakes not to make redundancies by 31 August 2020.

In August 2020, the Group received the grants amounted to HK\$59,944,000 as compensation to the Group's salary costs for a three-month period.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8 October 2020 to 9 October 2020 (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 7 October 2020.

## BUSINESS REVIEW

In the first half of 2020, starting from January with the novel coronavirus (COVID-19) outbreak, the flow of people and goods, as a vital part of economic activity, has been under restriction, which subsequently severely affected the global economy. Consumer behavior and the consumption pattern in Hong Kong and China has also changed. As a player in the retail industry, the Group needed to take decisive action in response to the changes.

### Hong Kong Operations

Affected adversely by the abovementioned factors, the Hong Kong economy continued to weaken in the first half of 2020. The economy for the first quarter and second quarter of 2020 recorded a significant year-on-year contraction of 9.1% and 9.0%\* respectively, after contracting by 1.2% in 2019\*. As the economic environment weakened and local people went out less frequently to spend amid the outbreak, the retail industry continued to operate in a tough business environment. Consequently, the value of retail sales for the first half of 2020 dropped sharply by 33.3%\* year-on-year.

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

## **BUSINESS REVIEW-** continued

In the first half of the year, the consumption behaviour of customers changed significantly, with an increasing proportion electing to stay at home, so they had greater concern about the improvement of the living environment as well as health and safety. To cater for the needs of customers, the Group not only assured the supply of local products, but also sourced merchandise which was needed by Hong Kong residents from Japan, South East Asia and China by capitalising on the procurement channels of AEON Group, so as to fulfill its mission of supporting the community.

During the period under review, the Group completed the extensive renovation of its Tuen Mun store, one of its core retail outlets. In order to increase the sales proportion of local customers, the Group enhanced the differentiation of its food division, strengthened the variety of fresh food such as fish, meat and vegetables and enriched the portfolio of processed food products which are primarily made in Japan. In addition, the Group also reorganised its apparel and household merchandise categories, which are family-oriented, along with the store layout. It also actively introduced the brands under AEON Japan Group. Moreover, the Group completed small-scale renovations in three stores in Hong Kong, and at the same time introduced house brands, namely “HÓME CÓORDY”, “iC innercasual” and “KIDS REPUBLIC” in suitable stores, with the aim of bringing high quality products and a new shopping experience to customers.

“HÓME CÓORDY” primarily provides household products, featuring Japanese elements such as simple design, suitable prices, multi-functionality, colorful appearance and being easy to mix-and-match, so it has been well-received by customers. (Four specialty outlets were opened in the Group’s stores.) Moreover, “iC innercasual”, which primarily provides functional causal underwear, comfortable homewear and casual wear, reported a better-than-expected sales performance. (Two specialty outlets were opened in the Group’s stores.)

To facilitate business growth of Living Plaza and increase its revenue, the Group opened two “Living Plaza” outlets during the period under review. Meanwhile, it has reviewed and optimised its store opening, construction and operation infrastructure.

As for daily operations, the Group added more self-service cashier systems and a “POS Express” mobile payment system in suitable stores in order to accelerate payment and provide greater convenience to customers.

In the first half of the year, revenue from Hong Kong operations increased by 15.9% to HK\$2,423,300,000 (2019: HK\$2,091,600,000), while loss was down to HK\$66,600,000 (2019: HK\$89,000,000) mainly attributable to sales growth and effective implementation of strict cost control measures.

### **PRC Operations**

Affected by the COVID-19 pandemic and the tense relations between the PRC and the US, economic growth in the PRC decelerated by 1.6% year-on-year<sup>#</sup> in the first half. Total retail sales of consumer goods also declined by 11.4% year-on-year<sup>#</sup>.

Amidst the pandemic, the Group has obtained the government’s approval to continue its food business operations and support the commodity needs of the community. It has enhanced the services of its online supermarket to address the needs of customers who are unable to go out and also opened new supermarkets in Southern China during March.

In the first half of the year, growth in revenue of the PRC operations was partly offset by the 4.6% depreciation of RMB against HK dollar when compared with the previous corresponding period, and thus slightly decreased to HK\$2,734,400,000 (2019: 2,738,200,000). However, as a result of the Group’s efforts in optimising store portfolio and implementing effective cost control measures, its PRC operations improved notably to record a profit of HK\$2,100,000 during the period (2019: loss of HK\$65,600,000).

<sup>#</sup>National Bureau of Statistics of the PRC

## FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group's revenue increased by 6.8% year-on-year to HK\$5,157,700,000 (2019: HK\$4,829,800,000). Gross profit margin dropped slightly to 28.2% (2019: 29.5%).

As for cost control during the period under review, the Group's staff cost declined by 6.1% and its ratio to sales revenue dropped to 10.4% (2019:11.8%). Expenses related to the leases also dropped by 5.5% and the ratio of expenses to sales revenue dropped to 11.7% (2019: 13.2%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, also decreased by 5.3% year-on-year and the ratio of other expenses to revenue was 9.8% (2019:11.1%).

Due to the above reasons, loss attributable to owners of the Company for the period was HK\$72,000,000 (2019: loss of HK\$149,100,000), representing a reduction of HK\$77,100,000.

The Board recommended payment of an interim dividend of HK\$0.05 per share (2019: HK\$0.22 per share). 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 review 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\$67,500,000.

The Group also entered into new lease agreements and lease modifications in the review period and recognized an additional HK\$88,100,000 of right-of-use assets.

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK\$1,814,300,000 as at 30 June 2020 (31 December 2019: HK\$1,798,100,000). It had no bank borrowings and had sufficient internal resources to finance future business expansions.

As at 30 June 2020, deposits of HK\$22,800,000 (31 December 2019: HK\$24,100,000) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK\$7,700,000 (31 December 2019: HK\$7,900,000) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2020 amounted to HK\$4,527,500,000 (31 December 2019: HK\$4,800,700,000), of which HK\$775,600,000 (31 December 2019: HK\$762,100,000) is payable within one year. The Group's lease liabilities to equity ratio as at 30 June 2020 (defined as the total lease liabilities divided by equity attributable to the owners of the Company) was 660% (31 December 2019: 621%).

As at 30 June 2020, the Group's current liabilities exceeded its current assets by HK\$336,500,000 (31 December 2019: net current assets of HK\$361,600,000). 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

In light of uncertain global geopolitical conditions, particularly the sign of further deterioration of Sino-US relations, and ongoing instability of the COVID-19 situation, the sluggish PRC and Hong Kong economy and consumption sentiment are expected to persist. Facing the changes in customers' behavior patterns and this "new normal", the Group will implement different measures aimed at improving its results.

## **PROSPECTS-** continued

### **Hong Kong Operations**

Customers have changed their spending habits since the outbreak of COVID-19 in Hong Kong. The Group will strive to introduce more product varieties to match the changing demand of customers through its operation of large general merchandise stores, and small stores under Living Plaza. The Group will try to satisfy the increasingly sophisticated customers demands by offering affordable and comprehensive merchandise with new elements.

The Tuen Mun store has completed renovation and reopened in July. The novel layout features three themes: “play”, “eat” and “live”, presenting new surprises to customers.

The Group plans to speed up the opening of Living Plaza stores in the third quarter of 2020. In the year, 15 stores have been targeted to open, so the total number of Living Plaza outlets in 2020 will exceed those in 2019 significantly.

The Group will further improve its online platform than in 2019 by introducing services including product reservation and delivery of bento, sushi, etc, thereby improving results with better online sales. The Group also plans to promote the use of the online platform in the second half and provide more services to customers, so as to facilitate future development in 2021.

### **PRC Operations**

The COVID-19 wave has eased in Guangdong Province, but the economic outlook is still uncertain under the influence of this disease and current international conditions.

However, its new store opening plan will continue to proceed as scheduled, with two more openings set for the second half this year. The Group will also implement the business model of small supermarkets on a trial basis.

In the future, the Group will continuously streamline the operating network to improve its operational efficiency and overall business performance. In the long term, the Group believes that the PRC market still possesses huge growth potential, which will remain as an important driver of the Group’s business development.

### **Group**

According to the investment plans in 2020, the expected total capital expenditure in the second half period is approximately HK\$ 227,100,000.

Save as previously mentioned or otherwise disclosed herein, there are no important events affecting the business of the Group which have occurred since 30 June 2020 up to the date these consolidated financial statements are authorised for issue.

### **HUMAN RESOURCES**

As at 30 June 2020, the Group had about 6,500 full-time and 3,900 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 upgrade 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 to build the AEON brand that benefits all customers.

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

During the six months ended 30 June 2020, 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 2020 and up to the date of this report.

## **CORPORATE GOVERNANCE**

The Board has complied throughout the six months ended 30 June 2020 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 2020.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2020 with management.

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

The interim report for the six months ended 30 June 2020 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 August 2020

*As at the date of this announcement, the Executive Directors are Ms. Isei Nakagawa, Mr. Chak Kam Yuen, Mr. Lau Chi Sum Sam, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; 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.*