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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)

**2022 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 2022 together with comparative figures for the previous period as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<u>NOTES</u>	<b>Six months ended</b>	
		<b><u>30.6.2022</u></b> <b>HK\$'000</b> <b>(unaudited)</b>	<b><u>30.6.2021</u></b> <b>HK\$'000</b> <b>(unaudited)</b>
Revenue	3	<b>5,048,699</b>	4,807,110
Other income	4	<b>240,460</b>	244,811
Investment income		<b>9,236</b>	9,703
Interest income from rental deposits		<b>5,884</b>	5,531
Purchase of goods and changes in inventories		<b>(3,618,488)</b>	(3,451,655)
Staff costs		<b>(554,306)</b>	(565,812)
Depreciation of investment properties		<b>(32,927)</b>	(39,873)
Depreciation of property, plant and equipment		<b>(100,891)</b>	(107,085)
Depreciation of right-of-use assets		<b>(374,383)</b>	(372,821)
Leases expenses		<b>(37,724)</b>	(45,276)
Other expenses	6	<b>(562,002)</b>	(534,429)
Pre-operating expenses		<b>(278)</b>	(2,298)
Other gains and losses	5	<b>(49,707)</b>	(65,069)
Interest on lease liabilities		<b>(126,036)</b>	(145,378)
Loss before tax		<b>(152,463)</b>	(262,541)
Income tax expense	7	<b>(5,156)</b>	(3,941)
Loss for the period		<b><u>(157,619)</u></b>	<u>(266,482)</u>
Loss for the period attributable to:			
Owners of the Company		<b>(144,624)</b>	(245,377)
Non-controlling interest		<b>(12,995)</b>	(21,105)
		<b><u>(157,619)</u></b>	<u>(266,482)</u>
Loss per share (basic and diluted)	9	<b><u>(55.62) HK cents</u></b>	<u>(94.38) HK cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>Six months ended</b>	
	<b><u>30.6.2022</u></b>	<b><u>30.6.2021</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period	<b><u>(157,619)</u></b>	<b><u>(266,482)</u></b>
<b>Other comprehensive income/(expense)</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain/(loss) on investments in equity instruments measured at fair value through other comprehensive income ("FVTOCI")	<b>261</b>	<b>(352)</b>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of operations outside Hong Kong	<b><u>10,155</u></b>	<b><u>(237)</u></b>
Other comprehensive income/(expense) for the period, net of income tax	<b><u>10,416</u></b>	<b><u>(589)</u></b>
Total comprehensive expense for the period	<b><u>(147,203)</u></b>	<b><u>(267,071)</u></b>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<b>(129,961)</b>	<b>(251,193)</b>
Non-controlling interest	<b><u>(17,242)</u></b>	<b><u>(15,878)</u></b>
	<b><u>(147,203)</u></b>	<b><u>(267,071)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

	<u>NOTES</u>	<u>30.6.2022</u> <u>HK\$'000</u> (unaudited)	<u>31.12.2021</u> <u>HK\$'000</u> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		491,917	580,771
Right-of-use assets		2,859,738	3,206,344
Investment properties		323,556	373,910
Goodwill		-	-
Equity instruments at FVTOCI		19,243	18,982
Time deposits		6,522	-
Pledged bank deposits		25,515	24,698
Deferred tax assets		27,751	33,583
Rental and related deposits		222,760	217,370
		<u>3,977,002</u>	<u>4,455,658</u>
<b>Current Assets</b>			
Inventories		880,371	953,839
Trade and account receivables	10	31,037	31,749
Other receivables, prepayments and deposits		139,049	109,408
Amounts due from fellow subsidiaries		42,687	58,581
Time deposits		293,219	285,672
Pledged bank deposits		7,652	11,251
Bank balances and cash		1,384,781	1,547,893
		<u>2,778,796</u>	<u>2,998,393</u>
<b>Current Liabilities</b>			
Trade payables	11	1,247,836	1,296,730
Other payables, accrued charges and other liabilities		751,583	781,175
Lease liabilities		828,908	833,899
Contract liabilities		450,599	481,524
Dividend payable		3,168	272
Amount due to ultimate holding company		15,130	27,596
Amounts due to fellow subsidiaries		35,367	38,331
Tax liabilities		201	209
		<u>3,332,792</u>	<u>3,459,736</u>
<b>Net Current Liabilities</b>		<u>(553,996)</u>	<u>(461,343)</u>
<b>Total Assets Less Current Liabilities</b>		<u>3,423,006</u>	<u>3,994,315</u>
<b>Capital and Reserves</b>			
Share capital		115,158	115,158
Reserves		(46,815)	88,286
Equity attributable to owners of the Company		68,343	203,444
Non-controlling interest		102,004	119,246
<b>Total Equity</b>		<u>170,347</u>	<u>322,690</u>
<b>Non-current Liabilities</b>			
Rental deposits received and other liabilities		131,284	139,178
Lease liabilities		3,121,375	3,532,447
		<u>3,252,659</u>	<u>3,671,625</u>
		<u>3,423,006</u>	<u>3,994,315</u>

## NOTES:

### 1. BASIS OF PREPARATION

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for the six months ended 30 June 2022 but are extracted from that interim financial report. The interim financial report has 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 2021 that is included in the interim financial report 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 2021 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 former auditor 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 interim financial report, 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\$553,996,000 at 30 June 2022. 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 2022. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial report.

### 2. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has 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 interim financial report for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

#### *Application of amendments to Hong Kong Financial Reporting Standards ("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 2022 for the preparation of the Group's interim financial report:

Amendments to HKFRS 16	<i>Property, plant and equipment: Proceeds before intended use</i>
Amendments to HKAS 37	<i>Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract</i>

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 the interim financial report.

### 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 Mainland China as the two reportable segments.

#### Disaggregation of revenue from contracts with customers

##### Six months ended 30 June 2022

	<u>Hong Kong</u> HK\$'000	<u>Mainland China</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	2,193,787	2,578,917	4,772,704
Income from concessionaire sales	<u>153,450</u>	<u>122,545</u>	<u>275,995</u>
	<u>2,347,237</u>	<u>2,701,462</u>	<u>5,048,699</u>

##### Six months ended 30 June 2021

	<u>Hong Kong</u> HK\$'000	<u>Mainland China</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	2,097,096	2,423,706	4,520,802
Income from concessionaire sales	<u>155,534</u>	<u>130,774</u>	<u>286,308</u>
	<u>2,252,630</u>	<u>2,554,480</u>	<u>4,807,110</u>

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

##### For the six months ended 30 June 2022

	<u>Hong Kong</u> HK\$'000	<u>Mainland China</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	2,347,237	2,701,462	-	5,048,699
Inter-segment sales	<u>-</u>	<u>3,162</u>	<u>(3,162)</u>	<u>-</u>
	<u>2,347,237</u>	<u>2,704,624</u>	<u>(3,162)</u>	<u>5,048,699</u>
Segment loss	<u>(76,077)</u>	<u>(85,622)</u>	<u>-</u>	<u>(161,699)</u>
Investment income				<u>9,236</u>
Loss before tax				<u>(152,463)</u>

### 3. REVENUE AND SEGMENT INFORMATION - continued

For the six months ended 30 June 2021

	<u>Hong Kong</u> HK\$'000	<u>Mainland China</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>-</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>

Segment loss represents the loss incurred 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.

### 4. OTHER INCOME

	<b>Six months ended</b>	
	<u>30.6.2022</u> HK\$'000	<u>30.6.2021</u> HK\$'000
Rental income from investment properties	177,324	183,044
Government grants	19,309	7,616
Management fee and other income from lessees	32,616	39,669
Others	11,211	14,482
	<u>240,460</u>	<u>244,811</u>

During the six months ended 30 June 2022, the Group recognised the government grants of (i) HK\$2,400,000 from Food Licence Holders Subsidy Scheme (six months ended 30 June 2021: HK\$1,600,000) under Anti-Epidemic Fund of the Hong Kong SAR Government; (ii) HK\$909,000 (six months ended 30 June 2021: HK\$6,016,000) relating to subsidies granted by municipal governments in Mainland China and (iii) HK\$16,000,000 from Employment Support Scheme under the Anti-epidemic Fund (six months ended 30 June 2021: HK\$ Nil), set up by the Hong Kong SAR Government.

### 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<u>30.6.2022</u> HK\$'000	<u>30.6.2021</u> HK\$'000
Exchange (loss) / gain, net	(11,857)	10,888
Impairment loss recognised in respect of goodwill	-	(43,000)
Impairment loss recognised in respect of property, plant and equipment	(28,822)	(6,870)
Impairment loss recognised in respect of right-of-use assets	(7,742)	(26,292)
Loss on disposal/written off of property, plant and equipment	(1,570)	(209)
Gain on termination of lease contracts	284	414
	<u>(49,707)</u>	<u>(65,069)</u>

## 6. OTHER EXPENSES

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$'000	HK\$'000
Advertising, promotion and selling expenses	165,802	147,225
Maintenance and repair expenses	184,487	179,301
Administrative expenses	134,367	126,848
Utilities expenses	75,990	78,896
Others	1,356	2,159
	<u>562,002</u>	<u>534,429</u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	-	190
PRC withholding tax	497	575
Deferred tax	4,659	3,176
Income tax expense for the period	<u>5,156</u>	<u>3,941</u>

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2022 and 30 June 2021 since the Company incorporated in Hong Kong sustained losses for tax purpose.

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Mainland China 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>30.6.2022</u>	<u>30.6.2021</u>
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2021 of 2.0 HK cents (six months ended 30.6.2021: 5.0 HK cents for 2020 final dividend) per ordinary share	<u>5,200</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 30.6.2021: 3.0 HK cents) per ordinary share amounting to HK\$7,800,000 (six months ended 30.6.2021: HK\$7,800,000) will be paid to the owners of the Company whose names appear in the Register of Members on 7 October 2022. The interim dividend will be paid on or before 28 October 2022.

## 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\$144,624,000 (six months ended 30.6.2021: loss of HK\$245,377,000) and on 260,000,000 (six months ended 30.6.2021: 260,000,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as there are no potential dilutive shares outstanding for both periods.

## 10. TRADE AND ACCOUNT RECEIVABLES

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

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

	<u>30.6.2022</u> HK\$'000	<u>31.12.2021</u> HK\$'000
Within 30 days	30,620	31,489
31 to 60 days	107	109
Over 60 days	310	151
	<u>31,037</u>	<u>31,749</u>

## 11. TRADE PAYABLES

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

	<u>30.6.2022</u> HK\$'000	<u>31.12.2021</u> HK\$'000
0 to 60 days	1,085,749	1,157,188
61 to 90 days	49,512	22,554
Over 90 days	112,575	116,988
	<u>1,247,836</u>	<u>1,296,730</u>

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 October 2022 to 7 October 2022 (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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5 October 2022.



## **BUSINESS REVIEW**

The coronavirus disease 2019 (“COVID-19”) pandemic has lingered on for almost three years. Although many regions have become accustomed to the impact of the pandemic and the resultant "new normal", COVID-19 has still had a negative impact on the world across various facets and to various extents. This, combined with geopolitical risks, has continued to affect the global economy. In the first half of 2022, the market was overshadowed by various uncertainties and both local and global retail markets were weak. In the face of these challenges, the Group continued to adopt flexible business strategies to maintain market competitiveness.

### **Hong Kong Operations**

The outbreak of the fifth wave of the pandemic in January 2022 again disrupted the gradual recovery of the local economy in the first half year. Local consumption sentiment continued to be sluggish amid various social distancing measures. In the first quarter of 2022, GDP fell by 4.0% compared with the same period last year. Private consumption expenditure also decreased by 5.5% year-on-year.

Boosted by the distribution of the first round of consumer vouchers in April 2022, local consumer activity became more dynamic. The value of total retail sales showed notable year-on-year growth in April, and the Group's sales performance also improved in the second quarter when compared with the first quarter.

In the first half of 2022, the Group opened its fourth AEON STYLE store in Yau Tong. The layout of the new store has been planned to accommodate the lifestyle of young families and office workers in the vicinity. The store has also introduced various new Japanese-related elements, including a wide range of high-quality merchandise at affordable prices, as well as new lifestyle solutions, providing an enriched shopping experience and enjoyable, healthy and quality shopping fun.

As for the small specialty store business, the Group continued to advance its strategic cooperation with Daiso Japan (Daiso Industries Co., Ltd.) (“DAISO”) and expanded the network of such stores. DAISO’s flagship store opened in Mongkok in June 2022 and introduced Threppy, a new brand adopting the theme "Happy Life Begins with 300 Yen", for the first time. The brand offers more diversified products to satisfy the daily needs of customers.

In May 2022, the Group entered into a regional franchise agreement with KOMEDA Co., Ltd. from Japan to open "KOMEDA's Coffee" in Hong Kong, accelerating the development of AEON Hong Kong's specialty restaurant chain business.

As a result, revenue from the Group’s Hong Kong operations rose by 4.2% to HK\$2,347.2 million in the first half year (2021: HK\$2,252.6 million). The loss of the Hong Kong operations decreased to HK\$76.1 million (2021: loss of HK\$105.9 million).

### **Mainland China Operations**

In the first half of 2022, the domestic outbreak of the pandemic was present in many parts of the Mainland China and affected most provinces in the country, placing pressure on the consumer market’s operation. Market sales declined continuously in March, April and May, and although the situation improved in June, total retail sales of consumer goods recorded a year-on-year decline of 0.7% in the first half year.

Sporadic infection cases were reported in Guangdong Province and Shenzhen from time to time, and the situation was particularly severe at the beginning of the year. Stringent prevention and control measures, such as community lockdowns, suspension of public transportation and suspension of work and schooling, largely shut down areas and hindered the day-to-day operations of enterprises. Some of the Group’s stores in the Mainland China had to be temporarily suspended at the request of the authorities, thus affecting its business performance.

The Group continued to adjust its operational network during the period and closed the Dongguan Dalang store in May 2022.

## **BUSINESS REVIEW-** continued

### **Mainland China Operations-** continued

Under these negative environmental factors in the first half year, revenue from Mainland China operations increased by 5.8% to HK\$2,701.5 million (2021: HK\$2,554.5 million). The loss of the Mainland China operations decreased to HK\$85.6 million (2021: loss of HK\$123.4 million).

## **PROSPECTS**

### **Hong Kong Operations**

The spread of the fifth wave of the pandemic has exceeded estimates. It is expected that large-scale infection will continue until the third quarter or even the end of 2022, thereby hindering the recovery of Hong Kong's economy. At the same time, the continuous spread of global inflationary pressure and the adjustment to the base rate by the Hong Kong Monetary Authority in response to the interest rate hike by the US Federal Reserve will affect consumer sentiment to a certain extent, adding uncertainty to the Group's business performance in the second half of 2022.

Phase II of the Consumption Voucher Scheme is released in early August and is expected to drive the Group's sales performance in the third quarter of 2022. To seize this opportunity, the Group will hold various promotional activities and launch different product offers in a timely manner, as it did last year, to boost local consumption and generate certain revenue for the Group. However, such contribution will be limited to the third quarter and will not continue to the fourth quarter.

In order to seize business opportunities and overcome challenges, the Group will continue to review the performance of individual stores, and strategically adjust and optimise stores. It will also further expand its network of small specialty stores and deepen its strategic cooperation with Daiso. Meanwhile, the Group's first "KOMEDA's Coffee" shop is expected to open in the Whampoa Store in October 2022. It is set to offer a Japanese style coffee shop design, thus bringing a comfortable and satisfying lifestyle experience to customers.

The Group has been keeping abreast of the times and actively pursuing digital upgrades. In the future, the Group will enhance its operational efficiency and control costs through "Mobile Assistant". Regarding offline operations, in addition to optimising the self-service cashier system "POS Express", the Group will introduce cashiering machines that accept payment and exchange cash for customers, thereby reducing the workload of cashiers. It is also believed that this will better utilise existing resources to improve service quality. These will commence service in the fourth quarter.

### **Mainland China Operations**

International health problems remain severe and there is still a risk of a resurgence of the pandemic. In addition, problems such as widespread real estate market risk and a high unemployment rate will continue to add pressure on the Mainland China economy in the second half of 2022.

To cope with the uncertain economic outlook, the Group will focus on achieving progress with its own business and will prudently control costs to promote continuous improvement in performance. The Group will leverage its global supply chain to increase the proportion of proprietary brands so as to boost profitability while accelerating product reform and expanding differentiation. The Group will also continue its digital transformation and consolidation and the upgrade of other digital platforms. It will also strive to improve operational efficiency by optimising and expanding O2O commerce and CRM.

As for the store network, the Group will continue to improve its store structure and mix. A new supermarket is expected to open in Guangzhou in December 2022 as originally planned.

## **PROSPECTS-** continued

### **Group**

According to the 2022 investment plan, the Group's total capital expenditure in the second half year is expected to be approximately HK\$77 million.

Save as mentioned above or otherwise disclosed, there have been no material events affecting the Group's business from 30 June 2022 up to the date of authorisation for the release of these consolidated financial statements.

### **FINANCIAL REVIEW**

In the first half of the year 2022, the Group's revenue increased by 5.0% year-on-year to HK\$5,048.7 million (2021: HK\$4,807.1 million). Gross profit margin improved 0.1% to 28.3% (2021: 28.2%).

As for other income, income derived from sub-lessees and other income decreased by HK\$16.0 million. Government grants received from the Hong Kong government and municipal governments in Mainland China totaled HK\$19.3 million, increased by HK\$11.7 million as compared with last year. Other income resulted in an overall decrease of 1.8% as compared with last year.

As for operating expenses during the period under review, the Group's staff cost decreased by 2.0% and its ratio to revenue decreased to 11.0% (2021: 11.8%). Expenses related to leases also dropped by 5.3% and the ratio of leases expenses to sales revenue decreased to 11.3% (2021: 12.6%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, increased by 5.2% year-on-year and the ratio of other expenses to revenue was 11.1% (2021: 11.1%).

Included in other gains and losses, amongst others, was exchange loss of HK\$11.9 million (2021: exchange gain of HK\$10.9 million). In addition, impairment loss in respect of right-of-use assets of HK\$7.7 million (2021: HK\$26.3 million) and impairment loss in respect of property, plant and equipment of HK\$28.8 million (2021: HK\$6.9 million) were recognized in the review period. No impairment loss in respect of goodwill was recognized in the review period (2021: HK\$43.0 million).

Due to the above reasons, loss before taxation decreased by HK\$110.0 million to HK\$152.5 million (2021: loss of HK\$262.5 million) and the loss attributable to owners of the Company for the period under review was HK\$144.6 million (2021: loss of HK\$245.4 million).

The Board declared an interim dividend of HK\$0.03 (2021: HK\$0.03) per share for the six months ended 30 June 2022. 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 Mainland China and the upgrade of information technology systems amounted to HK\$54.7 million.

The Group also entered into new lease agreements and lease modifications in the review period and recognized an additional HK\$64.8 million (2021: HK\$135.8 million) of right-of-use assets and HK\$66.9 million (2021: HK\$128.5 million) lease liabilities.

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK\$1,678.0 million as at 30 June 2022 (31 December 2021: HK\$1,833.6 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 operations.

## **FINANCIAL REVIEW- continued**

As at 30 June 2022, deposits of HK\$25.5 million (31 December 2021: HK\$28.0 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK\$7.7 million (31 December 2021: HK\$8.0 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2022 amounted to HK\$3,950.3 million (31 December 2021: HK\$4,366.3 million), of which HK\$828.9 million (31 December 2021: HK\$833.9 million) is payable within one year. The Group's lease liabilities to equity ratio as at 30 June 2022 (defined as the total lease liabilities divided by total equity) was 2319% (31 December 2021: 1353%).

As at 30 June 2022, the Group's current liabilities exceeded its current assets by HK\$554.0 million (31 December 2021: net current liabilities of HK\$461.3 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 2022, the Group had approximately 5,700 full-time and 3,700 part-time employees in Hong Kong and Mainland China. 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 2022, 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 2022 and up to the date of this report.

## **CORPORATE GOVERNANCE**

The Board has complied throughout the six months ended 30 June 2022 with the code provisions set out in the Corporate Governance 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 2022.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2022 with management.

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

The interim report for the six months ended 30 June 2022 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, 26 August 2022

*As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Mr. Makoto Fukuda and Mr. Hiroyuki Inohara; and the Independent Non-executive Directors are Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Law Chi Yan Joyce.*