



AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2021 Interim Report

Stock Code: 984



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

SUGAWARA Isao (*Managing Director*)
CHAK Kam Yuen
NAGASHIMA Takenori
HISANAGA Shinya

Non-executive Directors

NAKAGAWA Isei (*Chairman*)
HABU Yuki
FUKUDA Makoto

Independent Non-executive Directors

CHAN Yi Jen Candi Anna
LO Miu Sheung Betty
CHOW Chi Tong
MIZUNO Hideto

NOMINATION COMMITTEE

NAKAGAWA Isei (*Chairman*)
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty
CHOW Chi Tong
MIZUNO Hideto

REMUNERATION COMMITTEE

CHAN Yi Jen Candi Anna (*Chairman*)
NAKAGAWA Isei
LO Miu Sheung Betty
CHOW Chi Tong
MIZUNO Hideto

AUDIT COMMITTEE

CHOW Chi Tong (*Chairman*)
NAKAGAWA Isei
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty
MIZUNO Hideto

COMPANY SECRETARY

CHAN Kwong Leung Eric

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

SHARE REGISTRARS

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

G-4 Floor, Kornhill Plaza (South)
2 Kornhill Road, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 07-11, 26/F, CDW Building
388 Castle Peak Road
Tsuen Wan, New Territories, Hong Kong
Tel: (852) 2565 3600
Fax: (852) 2563 8654

STOCK CODE

984

WEBSITE

www.aeonstores.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	11	642,380	645,756
Right-of-use assets	11	3,563,980	3,762,037
Investment properties	11	440,264	479,890
Goodwill	12	19,838	62,838
Equity instruments at FVTOCI	13	19,496	19,848
Time deposits	17	3,589	—
Pledged bank deposits	14	19,941	22,417
Deferred tax assets		44,266	44,819
Rental and related deposits paid	15	215,591	201,724
		4,969,345	5,239,329
Current Assets			
Inventories		841,581	889,997
Trade receivables	15	33,134	37,809
Other receivables, prepayments and deposits	15	100,142	102,112
Amounts due from fellow subsidiaries	16	32,827	62,690
Time deposits	17	525,469	463,740
Pledged bank deposits	14	13,173	10,230
Bank balances and cash		1,264,310	1,537,837
		2,810,636	3,104,415
Current Liabilities			
Trade payables	18	1,122,936	1,231,199
Other payables, accrued charges and other liabilities	18	693,722	753,530
Lease liabilities		784,974	711,073
Contract liabilities	18	450,765	441,548
Dividend payable		7,658	295
Amount due to ultimate holding company	16	39,172	26,998
Amounts due to fellow subsidiaries	16	35,180	28,933
Tax liabilities		210	5,150
		3,134,617	3,198,726
Net Current Liabilities		(323,981)	(94,311)
Total Assets Less Current Liabilities		4,645,364	5,145,018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTE	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Capital and Reserves			
Share capital		115,158	115,158
Reserves		323,332	587,498
Equity attributable to owners of the Company		438,490	702,656
Non-controlling interest		131,098	146,976
Total Equity		569,588	849,632
Non-current Liabilities			
Rental deposits received and other liabilities	18	136,315	135,579
Lease liabilities		3,938,107	4,159,573
Deferred tax liabilities		1,354	234
		4,075,776	4,295,386
		4,645,364	5,145,018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	The People's Republic of China ("PRC") statutory reserves HK\$'000	Non- distributable reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interest HK\$'000	
At 31 December 2019 (audited)	115,158	21,194	30,013	34,368	134,535	438,264	773,532	132,752	906,284
(Loss) profit for the period	–	–	–	–	–	(72,029)	(72,029)	8,988	(63,041)
Other comprehensive (expense) income for the period	–	(2,810)	576	–	–	–	(2,234)	(3,361)	(5,595)
Total comprehensive (expense) income for the period	–	(2,810)	576	–	–	(72,029)	(74,263)	5,627	(68,636)
Dividend recognised as distribution (note 9)	–	–	–	–	–	(13,000)	(13,000)	–	(13,000)
Unclaimed dividends forfeited	–	–	–	–	–	55	55	–	55
At 30 June 2020 (unaudited)	115,158	18,384	30,589	34,368	134,535	353,290	686,324	138,379	824,703
Profit (loss) for the period	–	–	–	–	–	35,223	35,223	(2,418)	32,805
Other comprehensive (expense) income for the period	–	(940)	(4,951)	–	–	–	(5,891)	11,015	5,124
Total comprehensive (expense) income for the period	–	(940)	(4,951)	–	–	35,223	29,332	8,597	37,929
Transfer of reserves	–	–	–	1,782	–	(1,782)	–	–	–
Dividend recognised as distribution	–	–	–	–	–	(13,000)	(13,000)	–	(13,000)
At 31 December 2020 (audited)	115,158	17,444	25,638	36,150	134,535	373,731	702,656	146,976	849,632
Loss for the period	–	–	–	–	–	(245,377)	(245,377)	(21,105)	(266,482)
Other comprehensive (expense) income for the period	–	(352)	(5,464)	–	–	–	(5,816)	5,227	(589)
Total comprehensive expense for the period	–	(352)	(5,464)	–	–	(245,377)	(251,193)	(15,878)	(267,071)
Dividend recognised as distribution (note 9)	–	–	–	–	–	(13,000)	(13,000)	–	(13,000)
Unclaimed dividends forfeited	–	–	–	–	–	27	27	–	27
At 30 June 2021 (unaudited)	115,158	17,092	20,174	36,150	134,535	115,381	438,490	131,098	569,588

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the subsidiaries of the Company in the PRC.

Non-distributable reserve is the reserve arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	462,310	578,640
Decrease in inventories	65,680	65,485
Decrease in trade receivables	5,348	4,489
Increase in other receivables, prepayments and deposits	(4,975)	(24,283)
Decrease in amounts due from fellow subsidiaries	29,840	10,520
Decrease in trade payables	(130,227)	(31,720)
Decrease in other payables, accrued charges and other liabilities	(71,287)	(14,816)
Decrease in contract liabilities	(5,971)	(15,382)
Increase in amount due to ultimate holding company	12,175	11,766
Increase (decrease) in amounts due to fellow subsidiaries	5,173	(7,781)
Cash generated from operations	368,066	576,918
PRC income taxes paid	(5,810)	(17,461)
Interest on bank deposits and time deposits received	9,577	11,455
NET CASH FROM OPERATING ACTIVITIES	371,833	570,912
INVESTING ACTIVITIES		
Dividends from equity instruments at FVTOCI	5	5
Purchase of property, plant and equipment	(97,356)	(67,448)
Proceeds from disposal of property, plant and equipment	12	24
Payment for rental deposits	(10,685)	(955)
Payment for right-of-use assets	(2,687)	(204)
Placement of time deposits	(362,707)	(695,732)
Withdrawal of time deposits	305,244	540,756
Placement of pledged bank deposits	(2,507)	(662)
Withdrawal of pledged bank deposits	3,274	—
NET CASH USED IN INVESTING ACTIVITIES	(167,407)	(224,216)
FINANCING ACTIVITIES		
Dividend paid	(5,610)	(5,604)
Interest on lease liabilities	(145,378)	(143,857)
Repayments of lease liabilities	(352,743)	(316,547)
CASH USED IN FINANCING ACTIVITIES	(503,731)	(466,008)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(299,305)	(119,312)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,537,837	1,470,515
Effect of foreign exchange rate changes	25,778	(15,641)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	1,264,310	1,335,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

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

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the Group’s chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on the retail stores of the Group located in different locations. The reportable segments represented the aggregate of operating segments with similar economic characteristics. The chief operating decision makers identify Hong Kong and the People’s Republic of China (“PRC”) as the two reportable segments.

Disaggregation of revenue from contracts with customers

	Six months ended 30.6.2021 (unaudited)		
	Hong Kong HK\$’000	PRC HK\$’000	Total HK\$’000
Direct sales	2,097,096	2,423,706	4,520,802
Income from concessionaire sales	155,534	130,774	286,308
	2,252,630	2,554,480	4,807,110

	Six months ended 30.6.2020 (unaudited)		
	Hong Kong HK\$’000	PRC HK\$’000	Total HK\$’000
Direct sales	2,288,453	2,615,829	4,904,282
Income from concessionaire sales	134,857	118,534	253,391
	2,423,310	2,734,363	5,157,673

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June 2021 (unaudited)			
	Hong Kong HK\$'000	PRC HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue — external	2,252,630	2,554,480	—	4,807,110
Inter-segment sales	—	3,391	(3,391)	—
	2,252,630	2,557,871	(3,391)	4,807,110
Segment loss	(105,859)	(123,385)	—	(229,244)
Investment income				9,703
Impairment loss recognised in respect of goodwill				(43,000)
Loss before tax				(262,541)

	For the six months ended 30 June 2020 (unaudited)		
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
Segment revenue — external	2,423,310	2,734,363	5,157,673
Segment (loss) profit	(66,563)	2,069	(64,494)
Investment income			11,509
Loss before tax			(52,985)

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

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

4. OTHER INCOME

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

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

5. OTHER GAINS AND LOSSES

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

6. OTHER EXPENSES

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

7. INCOME TAX EXPENSE

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

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

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

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

8. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	3,451,655	3,701,983
(Write-back) write-down of inventories (included in purchase of goods and changes in inventories)	(1,028)	1,331

9. DIVIDEND

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

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

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 period attributable to the owners of the Company of HK\$245,377,000 (six months ended 30.6.2020: HK\$72,029,000) and on 260,000,000 (six months ended 30.6.2020: 260,000,000) ordinary shares in issue during the period.

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$221,000 (six months ended 30.6.2020: HK\$1,409,000), resulting in a loss on disposal of HK\$209,000 (six months ended 30.6.2020: HK\$1,385,000).

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$96,286,000 (six months ended 30.6.2020: HK\$67,448,000) to expand its operations.

During the current interim period, the Group entered into several new lease agreements and lease modification for its stores of which the lease terms ranges from 1 to 8 years. The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK\$135,822,000 (six months ended 30.6.2020: HK\$88,115,000) of right-of-use assets and HK\$128,490,000 (six months ended 30.6.2020: HK\$87,667,000) lease liabilities.

As at 30 June 2021, the investment properties represent the right-of-use assets under sub-leases in which the Group acts as an intermediate lessor.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES (Continued)

Impairment assessment

Certain stores of the Group have been experiencing recurring losses or performing below budget. The management considered there were impairment indicators and hence conducted impairment assessment on the relevant stores, which constitute individual cash-generating units (“CGUs”) for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of value in use of the individual stores to which the relevant assets belong.

The value in use calculations use cash flow projections based on the latest financial budgets approved by the Company’s management covering a period of 5 years, to the end of the relevant leases of the building fixtures and right-of-use assets with zero growth rate, and at a pre-tax discount rate ranging from 10% to 13% (31.12.2020: 10% to 13%). Cash flow projections during the budget period were based on the expected gross margins during the budget period and the budgeted margins have been determined based on past performance and management’s expectations for the future changes in the market.

Based on the result of the assessment, management of the Group determined that the recoverable amount of some CGUs are lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment, and right-of-use assets, such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment losses of HK\$6,870,000 and HK\$26,292,000 (six months ended 30.6.2020: HK\$nil and HK\$nil), have been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets, respectively.

12. GOODWILL

	HK\$'000
<hr/>	
COST	
At 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021	94,838
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IMPAIRMENT	
At 1 January 2020 and 30 June 2020	—
Impairment loss recognised	32,000
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At 31 December 2020	32,000
Impairment loss recognised	43,000
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At 30 June 2021	75,000
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CARRYING VALUES	
As 30 June 2021	19,838
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At 31 December 2020	62,838
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The amount represents goodwill arising from the acquisition of an additional 35% interest in AEON South China Co., Limited (“ASC”) in 2008. ASC became a wholly-owned subsidiary of the Company subsequent to the additional acquisition.

The Group identifies the relevant retail stores business operated by ASC as a group of CGUs with synergy effects to which the goodwill of HK\$19,838,000 (31.12.2020: HK\$62,838,000) is allocated.

12. GOODWILL (Continued)

The recoverable amount of the group of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (31.12.2020: 5-year period), and pre-tax discount rate of 12% (31.12.2020: 12%) that reflects current market assessment of the time value of money and the risks specific to the group of CGUs. The cash flows beyond 5-year period are extrapolated using a zero growth rate. In the case of other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margins, such estimation is based on the CGUs' past performance and management's expectations for the future changes in the market.

Based on the performance of the group of CGUs, management have consequently determined impairment of goodwill amounting to HK\$43,000,000 (six months ended 30.6.2020: HK\$nil), which have been recognised in profit or loss and included in the other gains and losses line item. No other write-down of the assets of the group of CGUs is considered necessary.

If the pre-tax discount rate changed to 13%, while other parameters remain constant, a further impairment of goodwill of HK\$9,398,000 would be recognised.

13. EQUITY INSTRUMENTS AT FVTOCI

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Equity securities:		
Listed shares in Hong Kong at fair value	19,496	19,848

The listed shares in Hong Kong mainly represents an investment in a fellow subsidiary of HK\$19,298,000 (31.12.2020: HK\$19,677,000).

The fair value of equity securities have been determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

14. PLEDGED BANK DEPOSITS

	30.6.2021		31.12.2020	
	Non-current HK\$'000 (unaudited)	Current HK\$'000 (unaudited)	Non-current HK\$'000 (audited)	Current HK\$'000 (audited)
Bank deposits were pledged for the following purpose:				
As guarantee to landlords for rental deposits	19,941	5,238	22,417	2,587
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	—	7,935	—	7,643
	19,941	13,173	22,417	10,230

15. TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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 and an analysis of other receivables, prepayments and deposits:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Within 30 days	29,967	37,618
31 to 60 days	295	158
Over 60 days	2,872	33
Trade receivables	33,134	37,809
Rental and related deposits paid	231,774	214,339
Other receivables, prepayments and other deposits	83,959	89,497
	315,733	303,836
Less: Rental and related deposits paid under non-current assets	(215,591)	(201,724)
Other receivables, prepayments and deposits	100,142	102,112

16. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES AND ULTIMATE HOLDING COMPANY

The amounts due from fellow subsidiaries are trade-related, unsecured, interest free and with credit term of 15 to 35 days (31.12.2020: 15 to 35 days). The amounts are aged within 35 days based on the invoice date and not yet due at the end of both reporting periods.

The amounts due to ultimate holding company and fellow subsidiaries are trade-related, unsecured, interest free and with credit term of 60 to 90 days (31.12.2020: 60 to 90 days). The amounts are aged within 60 days based on the invoice date at the end of both reporting periods.

17. TIME DEPOSITS

As at 30 June 2021, time deposits represent time deposits denominated in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong Dollars ("HKD") amounting to HK\$290,642,000, HK\$56,000 and HK\$238,360,000, respectively, with an original maturity between three months and five years. The average effective interest rates of those time deposits denominated in RMB, USD and HKD are 2.47%, 0.22% and 0.50% per annum, respectively.

As at 31 December 2020, time deposits represent time deposits denominated in RMB and HKD amounting to HK\$251,790,000 and HK\$211,950,000, respectively, with an original maturity between three months and one year. The average effective interest rates of those time deposits denominated in RMB and HKD are 2.05% and 0.69% per annum, respectively.

Except for the time deposits of HK\$3,589,000 which will expire after one year from the end of reporting period, the remaining time deposits of HK\$525,469,000 (31.12.2020: HK\$463,740,000) will expire within one year from the end of reporting period.

18. TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES AND CONTRACT LIABILITIES

The following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period and an analysis of other payables, accrued charges and other liabilities:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
0 to 60 days	936,780	1,054,564
61 to 90 days	61,493	61,301
Over 90 days	124,663	115,334
Trade payables	1,122,936	1,231,199
Accrued expenses and other liabilities	340,182	379,917
Accrued staff costs	234,702	261,597
Value-added tax payables for advance receipts on prepaid store-value cards	48,542	47,451
Payables for purchase of property, plant and equipment	10,991	11,964
Provision for reinstatement	93,376	92,814
Rental deposits received	102,244	95,366
	830,037	889,109
Less: Rental deposits received and other liabilities under non-current liabilities	(136,315)	(135,579)
Other payables, accrued charges and other liabilities	693,722	753,530

The following is the analysis of contract liabilities:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Advance receipts on prepaid store-value cards	404,714	399,819
Deferred revenue on customer loyalty points	46,051	41,729
	450,765	441,548

19. CAPITAL COMMITMENTS

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	15,906	20,047

20. RELATED PARTY TRANSACTIONS

During the current interim period, the Group entered into the following transactions with related parties:

Relationship	Nature of transaction	Six months ended	
		30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Fellow subsidiaries	Commission paid for credit facilities provided to the customers	7,362	6,575
	Franchise fee	123	118
	Trademark fee	8,899	6,169
	Other income	2,609	4,691
	Purchase of goods and property, plant and equipment	1,283	574
	Interest on lease liabilities	2,185	2,653
	Repayment of lease liabilities	8,904	8,935
	Management fees and utilities expenses	8,965	7,430
	Rental income	10,426	8,574
	Sales of coupons	3,543	3,544
	Service fee expense	41,578	30,311
Ultimate holding company	Royalty expenses	13,448	13,617
Non-controlling shareholder of the subsidiary*	Repayments of lease liabilities	18,256	21,960
	Interest on lease liabilities	6,107	6,987
	Rental expenses	1,180	1,086
	Management fees and utilities expenses	6,639	6,465
Directors and key management	Remuneration	4,652	4,011

* Non-controlling shareholder has significant influence over the subsidiary.

20. RELATED PARTY TRANSACTIONS (Continued)

Outstanding balances as at the end of reporting periods arising from the above transactions with related parties were as set out in the condensed consolidated statement of financial position except for the following balances:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Amounts due from fellow subsidiaries (included in other receivables, prepayments and deposits)	5,460	5,103
Amounts due to fellow subsidiaries (included in lease liabilities)	62,746	76,194
Amount due from a non-controlling shareholder of the subsidiary (included in other receivables, prepayments and deposits)	4,832	4,562
Amount due to a non-controlling shareholder of the subsidiary (included in lease liabilities)	178,337	189,804

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

	Level 1	
	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Equity instruments at FVTOCI Listed equity securities	19,496	19,848

The fair value of equity securities have been determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

There were no transfers between levels during the period.

CLOSURE OF REGISTER OF MEMBERS

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

BUSINESS REVIEW

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

HONG KONG OPERATIONS

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

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

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

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

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

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

PRC OPERATIONS

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

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

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

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

PROSPECTS

HONG KONG OPERATIONS

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

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

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

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

PRC OPERATIONS

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

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

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

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

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

GROUP

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOALS

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

HUMAN RESOURCES

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

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2021, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

(A) THE COMPANY

Directors	Long Position Number of ordinary shares held as personal interests	Approximate percentage of interests %
NAKAGAWA Isei	15,000	0.00577
CHAK Kam Yuen	10,000	0.00385
NAGASHIMA Takenori	2,000	0.00077
HISANAGA Shinya	30,000	0.01154
HABU Yuki	20,000	0.00769

(B) AEON CO., LTD., THE COMPANY’S ULTIMATE HOLDING COMPANY

Directors	Long Position Number of shares held as personal interests	Approximate percentage of interests %
NAKAGAWA Isei (Note 1)	2,400	0.00028
HISANAGA Shinya (Note 2)	2,030	0.00023
HABU Yuki (Note 3)	8,460	0.00097

DIRECTORS' INTERESTS IN SHARES (Continued)

(B) AEON CO., LTD., THE COMPANY'S ULTIMATE HOLDING COMPANY (Continued)

Notes:

1. As confirmed by Mr. NAKAGAWA Isei, his shareholding in AEON Co., Ltd. is 2,400 shares.
2. As confirmed by Mr. HISANAGA Shinya, his shareholding in AEON Co., Ltd. is 2,030 shares.
3. As confirmed by Ms. HABU Yuki, her shareholding in AEON Co., Ltd. is 8,460 shares.

Other than as disclosed above, as at 30 June 2021, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of PART XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or had otherwise notified the Company were as follows:

Substantial shareholders	Long Position Number of ordinary shares held	Approximate percentage of the total number of issued shares %
AEON Co., Ltd.	157,536,000 (Note 1)	60.59
Standard Life Aberdeen plc and its affiliated investment management (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group	16,062,000 (Note 2)	6.18

Notes:

1. These shares were held as to 155,760,000 shares by AEON Co., Ltd. and 1,776,000 shares by AEON Credit Service (Asia) Company Limited ("ACS").

ACS was owned by AEON Co., Ltd. as to 281,138,000 shares representing 67.13% of the issued share capital of ACS. AEON Co., Ltd. was deemed to be interested in the 1,776,000 shares owned by ACS.
2. As confirmed by the Aberdeen Group, these shares were held by the Aberdeen Group on behalf of accounts managed by the Aberdeen Group in the capacity of an investment manager and the Aberdeen Group has the power to vote on all the shares held.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company as at 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2021 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 2021.

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

UPDATED INFORMATION OF DIRECTORS

The changes in the information of Directors are set out below pursuant to Rule 13.51B of the Listing Rules:

(A) CHANGES IN DIRECTORS' INFORMATION

Directors	Details of changes
HABU Yuki	Ceased to be the Chairman of the Board, the Chairman of the Nomination Committee, a member of the Remuneration Committee and a member of the Audit Committee with effect from 28 May 2021
NAKAGAWA Isei	Re-designated from Executive Director to Non-executive Director, ceased to be the Managing Director and appointed as the Chairman of the Board, the Chairman of the Nomination Committee, a member of the Remuneration Committee and a member of the Audit Committee with effect from 28 May 2021
SUGAWARA Isao	Re-designated from Non-executive Director to Executive Director and appointed as the Managing Director with effect from 28 May 2021
FUKUDA Makoto	Appointed as a Non-executive Director with effect from 28 May 2021

UPDATED INFORMATION OF DIRECTORS (Continued)

(B) CHANGES IN DIRECTORS' EMOLUMENTS

The emoluments of the Directors are determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

With effect from 1 January 2021, the Directors' entitlement to directors' fee and emoluments (which will be pro-rata to the period of services in the year of their appointments) for the year ending 31 December 2021 are as follows:

Directors	Emoluments HK\$
NAKAGAWA Isei (as Executive Director)	1,986,000
(as Non-executive Director)	Nil
SUGAWARA Isao (as Executive Director)	2,394,000
(as Non-executive Director)	Nil
CHAK Kam Yuen	1,453,000
NAGASHIMA Takenori	1,924,000
HISANAGA Shinya	1,448,000
CHAN Yi Jen Candi Anna	190,000
LO Miu Sheung Betty	180,000
CHOW Chi Tong	190,000
MIZUNO Hideto	180,000

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
Isei NAKAGAWA
Chairman

Hong Kong, 27 August 2021