



AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2022 Interim Report

Stock Code: 984



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SUGAWARA Isao (*Managing Director*)
 Mr. NAGASHIMA Takenori
 Mr. HISANAGA Shinya

Non-executive Directors

Mr. NAKAGAWA Isei (*Chairman*)
 Mr. FUKUDA Makoto
 Mr. INOHARA Hiroyuki

Independent Non-executive Directors

Mr. CHOW Chi Tong
 Mr. MIZUNO Hideto
 Ms. LAW Chi Yan Joyce

NOMINATION COMMITTEE

Mr. NAKAGAWA Isei (*Chairman*)
 Mr. CHOW Chi Tong
 Mr. MIZUNO Hideto
 Ms. LAW Chi Yan Joyce

REMUNERATION COMMITTEE

Ms. LAW Chi Yan Joyce (*Chairman*)
 Mr. NAKAGAWA Isei
 Mr. CHOW Chi Tong
 Mr. MIZUNO Hideto

AUDIT COMMITTEE

Mr. CHOW Chi Tong (*Chairman*)
 Mr. NAKAGAWA Isei
 Mr. MIZUNO Hideto
 Ms. LAW Chi Yan Joyce

COMPANY SECRETARY

CHAN Kwong Leung Eric

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance

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
 17/F Far East Finance Centre
 16 Harcourt Road
 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
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STOCK CODE

984

WEBSITE

www.aeonstores.com.hk

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	5,048,699	4,807,110
Other income	4	240,460	244,811
Investment income		9,236	9,703
Interest income from rental deposits		5,884	5,531
Purchase of goods and changes in inventories		(3,618,488)	(3,451,655)
Staff costs		(554,306)	(565,812)
Depreciation of investment properties		(32,927)	(39,873)
Depreciation of property, plant and equipment		(100,891)	(107,085)
Depreciation of right-of-use assets		(374,383)	(372,821)
Leases expenses		(37,724)	(45,276)
Other expenses	6	(562,002)	(534,429)
Pre-operating expenses		(278)	(2,298)
Other gains and losses	5	(49,707)	(65,069)
Interest on lease liabilities		(126,036)	(145,378)
Loss before tax		(152,463)	(262,541)
Income tax expense	7	(5,156)	(3,941)
Loss for the period	8	(157,619)	(266,482)
Loss for the period attributable to:			
Owners of the Company		(144,624)	(245,377)
Non-controlling interest		(12,995)	(21,105)
		(157,619)	(266,482)
Loss per share (basic and diluted)	10	(55.62) HK cents	(94.38) HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period	(157,619)	(266,482)
Other comprehensive income/(expense)		
<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")	261	(352)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of operations outside Hong Kong	10,155	(237)
Other comprehensive income/(expense) for the period, net of income tax	10,416	(589)
Total comprehensive expense for the period	(147,203)	(267,071)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(129,961)	(251,193)
Non-controlling interest	(17,242)	(15,878)
	(147,203)	(267,071)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Note	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	491,917	580,771
Right-of-use assets	11	2,859,738	3,206,344
Investment properties	11	323,556	373,910
Goodwill	12	–	–
Equity instruments at FVTOCI	13	19,243	18,982
Time deposits	17	6,522	–
Pledged bank deposits	14	25,515	24,698
Deferred tax assets		27,751	33,583
Rental and related deposits	15	222,760	217,370
		3,977,002	4,455,658
Current assets			
Inventories		880,371	953,839
Trade and account receivables	15	31,037	31,749
Other receivables, prepayments and deposits	15	139,049	109,408
Amounts due from fellow subsidiaries	16	42,687	58,581
Time deposits	17	293,219	285,672
Pledged bank deposits	14	7,652	11,251
Bank balances and cash		1,384,781	1,547,893
		2,778,796	2,998,393
Current liabilities			
Trade payables	18	1,247,836	1,296,730
Other payables, accrued charges and other liabilities	18	751,583	781,175
Lease liabilities		828,908	833,899
Contract liabilities	18	450,599	481,524
Dividend payable		3,168	272
Amount due to ultimate holding company	16	15,130	27,596
Amounts due to fellow subsidiaries	16	35,367	38,331
Tax liabilities		201	209
		3,332,792	3,459,736
Net current liabilities		(553,996)	(461,343)
Total assets less current liabilities		3,423,006	3,994,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Note	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Capital and reserves			
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
Total Equity		170,347	322,690
Non-current Liabilities			
Rental deposits received and other liabilities	18	131,284	139,178
Lease liabilities		3,121,375	3,532,447
		3,252,659	3,671,625
		3,423,006	3,994,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Republic of China (the "PRC") Statutory reserve HK\$'000	Non- distributable reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'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)	
Dividends 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	
Loss for the year	-	-	-	-	-	(224,586)	(224,586)	(12,129)	(236,715)	
Other comprehensive (expense)/income for the period	-	(515)	(2,146)	-	-	-	(2,661)	277	(2,384)	
Total comprehensive expense for the period	-	(515)	(2,146)	-	-	(224,586)	(227,247)	(11,852)	(239,099)	
Dividend recognised as distribution	-	-	-	-	-	(7,800)	(7,800)	-	(7,800)	
Unclaimed dividends forfeited	-	-	-	-	-	1	1	-	1	
At 31 December 2021 (audited)	115,158	16,577	18,028	36,150	134,535	(117,004)	203,444	119,246	322,690	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Attributable to owners of the Company								
	Share capital	Investment revaluation reserve	Translation reserve	PRC Statutory reserve	Non-distributable reserve	Retained profits/ losses (accumulated)	Sub-total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2021 (audited)	115,158	16,577	18,028	36,150	134,535	(117,004)	203,444	119,246	322,690
Loss for the period		-	-	-	-	(144,624)	(144,624)	(12,995)	(157,619)
Other comprehensive income/ (expense) for the period	-	261	14,402	-	-	-	14,663	(4,247)	10,416
Total comprehensive income/ (expense) for the period	-	261	14,402	-	-	(144,624)	(129,961)	(17,242)	(147,203)
Transfer of reserves	-	-	-	(624)	-	624	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	(5,200)	(5,200)	-	(5,200)
Unclaimed dividends forfeited	-	-	-	-	-	60	60	-	60
At 30 June 2022 (unaudited)	115,158	16,838	32,430	35,526	134,535	(266,144)	68,343	102,004	170,347

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 YEAR ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Operating cash flows before movements in working capital	503,173	462,310
Decrease in inventories	57,629	65,680
(Increase)/decrease in trade receivables	(5)	5,348
Increase in other receivables, prepayments and deposits	(22,660)	(4,975)
Decrease in amounts due from fellow subsidiaries	15,608	29,840
Decrease in trade payables	(22,976)	(130,227)
Decrease in other payables, accrued charges and other liabilities	(29,479)	(71,287)
Decrease in contract liabilities	(14,536)	(5,971)
(Decrease)/increase in amount due to ultimate holding company	(12,466)	12,175
(Decrease)/increase in amounts due to fellow subsidiaries	(279)	5,173
Cash generated from operations	474,009	368,066
PRC income taxes paid	(497)	(5,810)
Interest on bank deposits and time deposits received	12,828	9,577
Net cash from operating activities	486,340	371,833
Investing activities		
Dividends from equity instruments at FVTOCI	5	5
Purchase of property, plant and equipment	(48,782)	(97,356)
Proceeds from disposal of property, plant and equipment	110	12
Payment for rental deposits	(5,495)	(10,685)
Payment for right-of-use assets	(322)	(2,687)
Placement of time deposits	(299,432)	(362,707)
Withdrawal of time deposits	280,205	305,244
Placement of pledged bank deposits	(2,476)	(2,507)
Withdrawal of pledged bank deposits	-	3,274
Net cash used in investing activities	(76,187)	(167,407)
Financing activities		
Dividend paid	(2,244)	(5,610)
Interest on lease liabilities	(126,036)	(145,378)
Repayments of lease liabilities	(417,011)	(352,743)
Cash used in financing activities	(545,291)	(503,731)
Net decrease in cash and cash equivalents	(135,138)	(299,305)
Cash and cash equivalents at 1 January	1,547,893	1,537,837
Effect of foreign exchange rate changes	(27,974)	25,778
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,384,781	1,264,310

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

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 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 Mainland China as the two reportable segments.

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2022 (unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Direct sales	2,193,787	2,578,917	4,772,704
Income from concessionaire sales	153,450	122,545	275,995
	2,347,237	2,701,462	5,048,699
	Six months ended 30 June 2021 (unaudited)		
	Hong Kong HK\$'000	Mainland China 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

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

	For the six months ended 30 June 2022 (unaudited)			
	Hong Kong HK\$'000	Mainland China HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue — external	2,347,237	2,701,462	—	5,048,699
Inter-segment sales	—	3,162	(3,162)	—
	2,347,237	2,704,624	(3,162)	5,048,699
Segment loss	(76,077)	(85,622)	—	(161,699)
Investment income				9,236
Loss before tax				(152,463)

3. REVENUE AND SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2021 (unaudited)			
	Hong Kong HK\$'000	Mainland China 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)

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
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
	240,460	244,811

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
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
	(49,707)	(65,069)

6. OTHER EXPENSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
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
	562,002	534,429

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	-	190
PRC withholding tax	497	575
Deferred tax	4,659	3,176
	5,156	3,941
Income tax expense for the period	5,156	3,941

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. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	3,618,488	3,451,655
Write-back of inventories (included in purchase of goods and changes in inventories)	(1,330)	(1,028)

9. DIVIDEND

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2021 of 2.0 HK cents (six months ended 30 June 2021: 5.0 HK cents for 2020 final dividend) per ordinary share	5,200	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 June 2021: 3.0 HK cents) per ordinary share amounting to HK\$7,800,000 (six months ended 30 June 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.

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\$144,624,000 (six months ended 30 June 2021: HK\$245,377,000) and on 260,000,000 (six months ended 30 June 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.

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\$1,680,000 (six months ended 30 June 2021: HK\$221,000), resulting in a loss on disposal of HK\$1,570,000 (six months ended 30 June 2021: HK\$209,000).

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$54,664,000 (six months ended 30 June 2021: HK\$96,286,000) to expand its operations.

During the current interim period, the Group entered into several new lease agreements and lease modifications 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\$64,758,000 (six months ended 30 June 2021: HK\$135,822,000) of right-of-use assets and HK\$66,881,000 (six months ended 30 June 2021: HK\$128,490,000) of lease liabilities.

As at 30 June 2022, 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 each store constitutes an individual cash-generating unit (“CGU”) 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 up to 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 of 11% (31 December 2021: 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 performances 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 higher of its fair value less cost of disposal, its value in use or zero. Based on the value in use calculation and the allocation, impairment losses of HK\$28,822,000 and HK\$7,742,000 (six months ended 30 June 2021: HK\$6,870,000 and HK\$26,292,000), have been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets, respectively.

12. GOODWILL

	HK\$'000
Cost	<u>94,838</u>
Impairment	
At 1 January 2021	32,000
Impairment loss recognised during the year	<u>62,838</u>
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>94,838</u>
Carrying values	
As 30 June 2022	<u>–</u>
At 31 December 2021	<u>–</u>

The amount represented 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 goodwill had been fully impaired in prior years.

13. EQUITY INSTRUMENTS AT FVTOCI

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Equity securities:		
Listed shares in Hong Kong at fair value	19,243	18,982

The listed shares in Hong Kong mainly represents an investment in a fellow subsidiary of HK\$19,071,000 (31 December 2021: HK\$18,806,000).

14. PLEDGED BANK DEPOSITS

	30 June 2022		31 December 2021	
	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	25,515	–	24,698	3,293
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	–	7,652	–	7,958
	25,515	7,652	24,698	11,251

15. TRADE AND ACCOUNT RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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 aging analysis of trade and account receivables presented based on the invoice date at the end of the reporting period and an analysis of other receivables, prepayments and deposits:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 30 days	30,620	31,489
31 to 60 days	107	109
Over 60 days	310	151
Trade and account receivables	31,037	31,749
Rental and related deposits	243,466	237,080
Other receivables, prepayments and other deposits	118,343	89,698
	361,809	326,778
Less: Rental and related deposits under non-current assets	(222,760)	(217,370)
Other receivables, prepayments and deposits	139,049	109,408

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 December 2021: 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 December 2021: 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 2022, time deposits represent time deposits denominated in Renminbi (“RMB”) and Hong Kong Dollars (“HKD”) amounting to HK\$294,941,000 and HK\$4,800,000 respectively, with an original maturity between three months and five years. The average effective interest rates of those time deposits denominated in RMB and HKD are 2.25% and 1.10% per annum, respectively.

As at 31 December 2021, time deposits represent time deposits denominated in United States Dollars (“USD”), RMB and HKD amounting to HK\$247,000, HK\$143,035,000 and HK\$142,390,000, respectively, with an original maturity between three months and one year. The average effective interest rates of those time deposits denominated in USD, RMB and HKD are 0.36%, 2.21% and 0.33%, per annum, respectively.

Except for the time deposits of HK\$6,522,000 which will expire after one year from the end of reporting period (31 December 2021: HK\$ Nil), the remaining time deposits of HK\$293,219,000 (31 December 2021: HK\$285,672,000) 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 ageing 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 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 60 days	1,085,749	1,157,188
61 to 90 days	49,512	22,554
Over 90 days	112,575	116,988
Trade payables	1,247,836	1,296,730
Accrued expenses and other liabilities	379,454	393,860
Accrued staff costs	236,456	251,938
Value-added tax payables for advance receipts on prepaid store-value cards	54,014	51,622
Payables for purchase of property, plant and equipment	11,921	11,373
Provision for reinstatement	95,957	96,754
Rental deposits received	105,065	114,806
	882,867	920,353
Less: Rental deposits received and other liabilities under non-current liabilities	(131,284)	(139,178)
Other payables, accrued charges and other liabilities	751,583	781,175

18. TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES AND CONTRACT LIABILITIES (Continued)

The following is the analysis of contract liabilities:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Advance receipts on prepaid store-value cards	404,599	440,067
Deferred revenue on customer loyalty points	46,000	41,457
	450,599	481,524

19. CAPITAL COMMITMENTS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	8,520	14,455

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 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Fellow subsidiaries	Commission paid for credit facilities provided to the customers	13,873	7,362
	Franchise fee	76	123
	Trademark fee	6,395	8,899
	Other income	2,158	2,609
	Purchase of goods and property, plant and equipment	266	1,283
	Interest on lease liabilities	1,547	2,185
	Repayment of lease liabilities	10,744	8,904
	Management fees and utilities expenses	8,783	8,965
	Rental income	11,925	10,426
	Sales of coupons	5,261	3,543
	Service fee expense	39,638	41,578
Ultimate holding company	Royalty expenses	13,964	13,448
Non-controlling shareholder of the subsidiary*	Repayments of lease liabilities	20,888	18,256
	Interest on lease liabilities	5,006	6,107
	Rental expenses	–	1,180
	Management fees and utilities expenses	6,700	6,639
Directors and key management	Remuneration	3,587	4,652

* 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 interim report except for the following balances:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Amounts due from fellow subsidiaries (included in other receivables, prepayments and deposits)	3,565	4,093
Amounts due to fellow subsidiaries (included in lease liabilities)	40,676	53,192
Amount due from a non-controlling shareholder of the subsidiary (included in other receivables, prepayments and deposits)	4,871	4,959
Amount due to a non-controlling shareholder of the subsidiary (included in lease liabilities)	132,108	164,987

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) The Group's financial assets that are measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Level 1	
	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Recurring fair value measurements		
Equity instruments at FVTOCI Listed equity securities	19,243	18,982

The fair values of equity instruments 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.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021 and 30 June 2022.

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 payable on 28 October 2022, 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 Threeppy, 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.

BUSINESS REVIEW (Continued)

MAINLAND CHINA OPERATIONS (Continued)

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

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 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.

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.

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.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2022, 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
SUGAWARA Isao	10,000	0.00385
NAGASHIMA Takenori	2,000	0.00077
HISANAGA Shinya	30,000	0.01154

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

Directors	Long Position Number of shares held as personal Interests (Note)	Approximate percentage of interests %
NAKAGAWA Isei	2,400	0.00028
HISANAGA Shinya	2,030	0.00023
FUKUDA Makoto	1,000	0.00011

Note: The shareholding information above is confirmed by the respective Directors.

DIRECTORS' INTERESTS IN SHARES (Continued)

Other than as disclosed above, as at 30 June 2022, 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 2022, 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:

Name of substantial shareholder	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

Note:

- 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 is 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.

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 2022.

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.

Rule 3.10A of the Listing Rules provides that a listed issuer must appoint independent non-executive directors representing at least one-third of the board. Following Ms. LO Miu Sheung Betty's resignation with effect from 1 January 2022, the number of Independent Non-executive Directors fell below one-third of the Board members. On 28 January 2022, the Board appointed Ms. LAW Chi Yan Joyce as an Independent Non-executive Director. Following Ms. LAW's appointment, the Company has complied with Rule 3.10A Listing Rules.

CORPORATE GOVERNANCE (Continued)

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.

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/DIRECTORSHIP

Directors	Details of change
CHOW Chi Tong	Appointed as a member of 2021 HKSAR Election Committee from 22 October 2021
LAW Chi Yan Joyce	Appointed as the Chairman of the Remuneration Committee from 30 May 2022
FUKUDA Makoto	Appointed as the corporate auditor of AEON Financial Service Co., Ltd. from 23 May 2022

(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.

The Directors' entitlement to directors' fee and emoluments (which will be pro-rata to the period of services in the year of their appointments or as specified for the period of services determined in the Board meeting) for the year ending 31 December 2022 are as follows:

Directors	Emoluments HK\$
NAKAGAWA Isei	100,000
SUGAWARA Isao	1,927,000
NAGASHIMA Takenori	1,921,000
HISANAGA Shinya	1,452,000
INOHARA Hiroyuki	95,000
CHOW Chi Tong	200,000
MIZUNO Hideto	190,000
LAW Chi Yan Joyce	200,000

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

Hong Kong, 26 August 2022