AEON

AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2023 Interim Report

Stock Code: 984

Everything we do
We do for our customers

Pursuing peace, Respecting humans, and Contributing to local communities,
Always with customers as our starting point

AEON AEON STYLE AEON SUPERMARKET LIVING PLAZA DAISO JAPAN ものもの Mono Mono KOMEDA'S Coffee Bread Factory CANTEVOLE

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. NAGASHIMA Takenori *(Managing Director)*
Mr. HISANAGA Shinya

Non-executive Directors
Mr. NAKAGAWA Isei *(Chairman)*
Mr. FUKUDA Makoto
Mr. GOTO Toshiya
Mr. INOHARA Hiroyuki

Independent Non-executive Directors
Mr. CHOW Chi Tong
Mr. MIZUNO Hideto
Ms. SHUM Wing Ting

NOMINATION COMMITTEE
Mr. NAKAGAWA Isei *(Chairman)*
Mr. CHOW Chi Tong
Mr. MIZUNO Hideto
Ms. SHUM Wing Ting

REMUNERATION COMMITTEE
Ms. SHUM Wing Ting *(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. SHUM Wing Ting

COMPANY SECRETARY
Mr. CHAN Kwong Leung Eric

AUDITOR
KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Accounting and 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
Fax: (852) 2563 8654

STOCK CODE
984

WEBSITE
www.aeonstores.com.hk

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Revenue	3	**4,521,844**	5,048,699
Other income	4	**218,741**	240,460
Investment income		**11,537**	9,236
Interest income from rental deposits		**5,797**	5,884
Purchase of goods and changes in inventories		**(3,217,693)**	(3,618,488)
Staff costs		**(494,851)**	(554,306)
Depreciation of investment properties		**(32,543)**	(32,927)
Depreciation of property, plant and equipment		**(75,310)**	(100,891)
Depreciation of right-of-use assets		**(355,893)**	(374,383)
Leases expenses		**(36,927)**	(37,724)
Other expenses	6	**(530,320)**	(562,002)
Pre-operating expenses		**(516)**	(278)
Other gains and losses	5	**9,359**	(49,707)
Interest on lease liabilities		**(98,745)**	(126,036)
Loss before tax		**(75,520)**	(152,463)
Income tax expense	7	**(1,033)**	(5,156)
Loss for the period	8	**(76,553)**	(157,619)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(78,194)**	(144,624)
Non-controlling interest		**1,641**	(12,995)
		(76,553)	(157,619)
Loss per share (basic and diluted)	10	**(30.07) HK cents**	(55.62) HK cents

The notes on pages 9 to 20 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(76,553)**	(157,619)
Other comprehensive income/(expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain on investments in equity instruments measured at fair value through other comprehensive income ("FVTOCI")	**1,872**	261
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong	**(970)**	10,155
Other comprehensive income for the period, net of income tax	**902**	10,416
Total comprehensive expense for the period	**(75,651)**	(147,203)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(78,016)**	(129,961)
Non-controlling interest	**2,365**	(17,242)
	(75,651)	(147,203)

The notes on pages 9 to 20 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Note	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**415,560**	431,155
Right-of-use assets	11	**2,182,639**	2,496,964
Investment properties	11	**222,880**	280,181
Equity instruments at FVTOCI	12	**20,797**	18,925
Time deposits	16	**3,531**	6,068
Pledged bank deposits	13	**20,877**	22,643
Deferred tax assets		**25,320**	25,670
Rental and related deposits	14	**169,505**	220,507
		3,061,109	3,502,113
Current assets			
Inventories		**807,951**	892,697
Receivables, prepayments and deposits	14	**201,746**	152,495
Amounts due from fellow subsidiaries	15	**33,597**	59,025
Time deposits	16	**313,922**	289,524
Pledged bank deposits	13	**110,014**	7,785
Bank balances and cash		**952,160**	1,133,879
		2,419,390	2,535,405
Current liabilities			
Trade payables	17	**1,135,588**	1,088,346
Other payables, accrued charges and other liabilities	17	**666,795**	731,711
Lease liabilities		**795,434**	827,036
Contract liabilities	17	**411,933**	436,711
Dividend payable		**211**	213
Amount due to ultimate holding company	15	**39,090**	27,030
Amounts due to fellow subsidiaries	15	**32,666**	39,918
Tax liabilities		**189**	187
		3,081,906	3,151,152
Net current liabilities		**(662,516)**	(615,747)
Total assets less current liabilities		**2,398,593**	2,886,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Note	**30 June 2023** **HK$'000** **(unaudited)**	31 December 2022 HK$'000 (audited)
Capital and reserves			
Share capital		**115,158**	115,158
Reserves		**(198,636)**	(115,432)
Equity attributable to owners of the Company		**(83,478)**	(274)
Non-controlling interest		**104,513**	102,148
Total Equity		**21,035**	101,874
Non-current Liabilities			
Rental deposits received and other liabilities	17	**96,013**	130,200
Lease liabilities		**2,281,545**	2,654,292
		2,377,558	2,784,492
		2,398,593	2,886,366

The notes on pages 9 to 20 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to owners of the Company								
	Share capital HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserves HK$'000	Non-distributable reserve HK$'000	Accumulated loss HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total 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
Loss for the year	–	–	–	–	–	(75,248)	(75,248)	8,151	(67,097)
Other comprehensive (expense)/income for the period	–	(317)	14,748	–	–	–	14,431	(8,007)	6,424
Total comprehensive expense for the period	–	(317)	14,748	–	–	(75,248)	(60,817)	144	(60,673)
Dividend recognised as distribution	–	–	–	–	–	(7,800)	(7,800)	–	(7,800)
At 31 December 2022 (audited)	115,158	16,521	47,178	35,526	134,535	(349,192)	(274)	102,148	101,874

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to owners of the Company								
	Share capital HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC Statutory reserve HK$'000	Non-distributable reserve HK$'000	Accumulated loss HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 31 December 2022 (audited)	115,158	16,521	47,178	35,526	134,535	(349,192)	(274)	102,148	101,874
Loss for the period	-	-	-	-	-	(78,194)	(78,194)	1,641	(76,553)
Other comprehensive income/(expense) for the period	-	1,872	(1,694)	-	-	-	178	724	902
Total comprehensive income/(expense) for the period	-	1,872	(1,694)	-	-	(78,194)	(78,016)	2,365	(75,651)
Dividends recognised as distribution (note 9)	-	-	-	-	-	(5,200)	(5,200)	-	(5,200)
Unclaimed dividends forfeited	-	-	-	-	-	12	12	-	12
At 30 June 2023 (unaudited)	115,158	18,393	45,484	35,526	134,535	(432,574)	(83,478)	104,513	21,035

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.

The notes on pages 9 to 20 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Operating activities		
Operating cash flows before movements in working capital	**464,694**	503,173
Decrease in inventories	**89,157**	57,629
Decrease/(increase) in receivables, prepayments and deposits	**8,108**	(22,665)
Decrease in amounts due from fellow subsidiaries	**24,237**	15,608
Increase/(decrease) in trade payables	**44,528**	(22,976)
Decrease in other payables, accrued charges and other liabilities	**(103,774)**	(29,479)
Decrease in contract liabilities	**(28,363)**	(14,536)
Increase/(decrease) in amount due to ultimate holding company	**12,060**	(12,466)
Decrease in amounts due to fellow subsidiaries	**(4,387)**	(279)
Cash generated from operations	**506,260**	474,009
PRC income taxes paid	**(476)**	(497)
Interest on bank deposits and time deposits received	**15,186**	12,828
Net cash from operating activities	**520,970**	486,340
Investing activities		
Dividends from equity instruments at FVTOCI	**5**	5
Purchase of property, plant and equipment	**(57,223)**	(48,782)
Proceeds from disposal of property, plant and equipment	**45**	110
Net payment for rental deposits	**(5,008)**	(5,495)
Payment for right-of-use assets	**(852)**	(322)
Placement of time deposits	**(267,518)**	(299,432)
Withdrawal of time deposits	**245,521**	280,205
Placement of pledged bank deposits	**(230,133)**	(2,476)
Withdrawal of pledged bank deposits	**129,819**	–
Net cash used in investing activities	**(185,344)**	(76,187)
Financing activities		
Dividend paid	**(5,190)**	(2,244)
Interest on lease liabilities	**(98,745)**	(126,036)
Repayments of lease liabilities	**(416,639)**	(417,011)
Cash used in financing activities	**(520,574)**	(545,291)
Net decrease in cash and cash equivalents	**(184,949)**	(135,138)
Cash and cash equivalents at 1 January	**1,133,879**	1,547,893
Effect of foreign exchange rate changes	**3,230**	(27,974)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**952,160**	1,384,781

The notes on pages 9 to 20 form part of these financial statements.

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 2022 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 2022 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 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$662,516,000 at 30 June 2023. 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 2023. 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

(a) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following new and amended HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's interim financial report:

HKFRS 17	*Insurance contracts*
Amendments to HKAS 8	*Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
Amendments to HKAS 12	*Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
Amendments to HKAS 12	*Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had 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.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

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 2023 (unaudited)		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**
Direct sales	**1,952,438**	**2,301,364**	**4,253,802**
Income from concessionaire sales	**149,790**	**118,252**	**268,042**
	2,102,228	**2,419,616**	**4,521,844**

	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

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

	For the six months ended 30 June 2023 (unaudited)			
	Hong Kong HK$'000	**Mainland China HK$'000**	**Elimination HK$'000**	**Total HK$'000**
Segment revenue – external	**2,102,228**	**2,419,616**	**–**	**4,521,844**
Inter-segment sales	**–**	**2,226**	**(2,226)**	**–**
	2,102,228	**2,421,842**	**(2,226)**	**4,521,844**
Segment loss	**(71,620)**	**(15,437)**	**–**	**(87,057)**
Investment income				**11,537**
Loss before tax				**(75,520)**

3 REVENUE AND SEGMENT INFORMATION (Continued)

	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)

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

4 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Rental income from investment properties	**164,720**	177,324
Government grants	**–**	19,309
Management fee and other income from lessees	**31,430**	32,616
Revenue from scrap sales	**1,587**	1,654
Others	**21,004**	9,557
	218,741	240,460

5 OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Exchange gain/(loss), net	**4,432**	(11,857)
Impairment loss recognised in respect of property, plant and equipment	**–**	(28,822)
Impairment loss recognised in respect of right-of-use assets	**–**	(7,742)
Loss on disposal/written off of property, plant and equipment	**(112)**	(1,570)
Gain on modification of lease contracts	**5,039**	284
	9,359	(49,707)

6 OTHER EXPENSES

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Advertising, promotion and selling expenses	**151,406**	165,688
Maintenance, repair and building management fees	**177,982**	185,709
Administrative expenses	**111,896**	109,617
Utilities expenses	**75,818**	75,955
Others	**13,218**	25,033
	530,320	562,002

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
PRC withholding tax	**476**	497
Deferred tax	**557**	4,659
Income tax expense for the period	**1,033**	5,156

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2023 and 30 June 2022 since the Company incorporated in Hong Kong sustained losses for tax purpose.

No provision for PRC Enterprise Income Tax is made for the six months ended 30 June 2023 and 30 June 2022 since the subsidiaries incorporated in Mainland China have sustained losses for tax purpose or the tax losses brought forward exceed the estimated assessable profits. 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	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**3,217,693**	3,618,488
Write-back of inventories (included in purchase of goods and changes in inventories)	**(15)**	(1,330)

9 DIVIDEND

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period:		
Final dividend declared and paid for 2022 of 2.0 HK cents (six months ended 30 June 2022: 2.0 HK cents for 2021 final dividend) per ordinary share	**5,200**	5,200

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 2.0 HK cents (six months ended 30 June 2022: 3.0 HK cents) per ordinary share amounting to HK$5,200,000 (six months ended 30 June 2022: HK$7,800,000) will be paid to the owners of the Company whose names appear in the Register of Members on 6 October 2023. The interim dividend will be paid on or before 27 October 2023.

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$78,194,000 (six months ended 30 June 2022: HK$144,624,000) and on 260,000,000 (six months ended 30 June 2022: 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$157,000 (six months ended 30 June 2022: HK$1,680,000), resulting in a loss on disposal of HK$112,000 (six months ended 30 June 2022: HK$1,570,000).

During the current interim period, the Group acquired property, plant and equipment of approximately HK$57,455,000 (six months ended 30 June 2022: HK$54,664,000) 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 3 to 8 years. The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK$77,317,000 (six months ended 30 June 2022: HK$64,758,000) of right-of-use assets and HK$74,436,000 (six months ended 30 June 2022: HK$66,881,000) of lease liabilities.

As at 30 June 2023, the investment properties represent the right-of-use assets under sub-leases in which the Group acts as an intermediate lessor.

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 cash-generating units have been determined based on the higher of fair value less cost of disposal and value in use of the individual stores to which the relevant assets belong.

For the cash-generating units which the recoverable amount was based on value in use, the calculations use cash flow projections based on the latest financial budgets approved by the Company's management covering the unexpired lease terms of the relevant stores with a pre-tax discount rate of 9% to 12% (31 December 2022: 11%). Cash flow projections during the budget period were based on the projected revenue and expected gross margins and the budgeted revenue growths, and the margins have been determined based on past performances and management's expectations for the future changes in the market.

For the cash-generating units which the recoverable amount was based on fair value less costs of disposal, the fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the right-of-use assets included in the cash-generating units are assessed and discounted at the market yield of a range of 4.3% – 5.0% expected by investors for this type of assets. The market rentals are assessed by reference to the rentals achieved in the lettable units of the assets as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar retail stores in Hong Kong and PRC and adjusted to take into account the market expectation form property investors to reflect factors specific to the Group's cash-generating units.

Based on the result of the assessment, impairment loss of HK$nil and HK$nil (six months ended 30 June 2022: HK$28,822,000 and HK$7,742,000) have been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets respectively.

12 EQUITY INSTRUMENTS AT FVTOCI

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Equity securities:		
Listed shares in Hong Kong at fair value	**20,797**	18,925

The listed shares in Hong Kong mainly represents an investment in a fellow subsidiary of HK$20,661,000 (31 December 2022: HK$18,769,000).

13 PLEDGED BANK DEPOSITS

	30 June 2023		31 December 2022	
	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	**20,877**	**103,274**	22,643	1,095
As requirement by the relevant Mainland China regulatory body for cash received from prepaid value cards sold	**–**	**6,740**	–	6,690
	20,877	**110,014**	22,643	7,785

14 RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's accounts receivable arise from retail sales transactions settled by credit cards or other electronic payment methods. The average settlement period for the proceeds receivable from those credit cards and other electronic payments service providers is 10 days. Based on the ageing of accounts receivable as determined based on invoice date, HK$29,542,000 (31 December 2022: HK$38,470,000) is due within 30 days. There are no significant overdue balances of those accounts receivable at the end of reporting period and no default is expected.

The following is an analysis of receivables, prepayments and deposits:

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Accounts receivable	**30,675**	38,876
Rental and related deposits	**246,333**	246,757
Other receivables, prepayments and other deposits	**94,243**	87,369
	371,251	373,002
Less: Rental and related deposits under non-current assets	**(169,505)**	(220,507)
Other receivables, prepayments and deposits	**201,746**	152,495

15 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 2022: 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 2022: 60 to 90 days). The amounts are aged within 60 days based on the invoice date at the end of both reporting periods.

16 TIME DEPOSITS

As at 30 June 2023, time deposits represent time deposits denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD") amounting to HK$312,434,000 and HK$5,019,000 respectively, with an original maturity for more than three months. The average effective interest rates of those time deposits denominated in RMB and HKD are 2.34% and 4.12% per annum, respectively.

As at 31 December 2022, time deposits represent time deposits denominated in United States Dollars ("USD"), RMB and HKD amounting to HK$19,696,000, HK$236,068,000 and HK$39,828,000, respectively, with an original maturity for more than three months. The average effective interest rates of those time deposits denominated in USD, RMB and HKD are 3.78%, 2.36% and 4.29%, per annum, respectively.

Except for the time deposits of HK$3,531,000 which will expire after one year from the end of reporting period (31 December 2022: HK$6,068,000), the remaining time deposits of HK$313,922,000 (31 December 2022: HK$289,524,000) will expire within one year from the end of reporting period.

17 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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Within 60 days	**970,763**	930,506
61 to 90 days	**58,621**	63,945
Over 90 days	**106,204**	93,895
Trade payables	**1,135,588**	1,088,346
Accrued expenses and other liabilities	**358,589**	399,220
Accrued staff costs	**199,009**	254,821
Payables for purchase of property, plant and equipment	**12,164**	12,287
Provision for reinstatement	**96,024**	95,428
Rental deposits received	**97,022**	100,155
	762,808	861,911
Less: Rental deposits received and other liabilities under non-current liabilities	**(96,013)**	(130,200)
Other payables, accrued charges and other liabilities	**666,795**	731,711

The following is the analysis of contract liabilities:

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Advance receipts on prepaid store-value cards	**374,832**	393,393
Deferred revenue on customer loyalty points	**37,101**	43,318
	411,933	436,711

18 CAPITAL COMMITMENTS

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**13,778**	18,811

19 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 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Fellow subsidiaries	Commission paid for credit facilities provided to the customers	**12,662**	13,873
	Franchise fee	**210**	76
	Trademark fee	**5,475**	6,395
	Other income	**2,145**	2,158
	Purchase of goods and property, plant and equipment	**1,581**	266
	Interest on lease liabilities	**720**	1,547
	Repayment of lease liabilities	**12,578**	10,744
	Management fees and utilities expenses	**9,948**	8,783
	Rental income	**11,050**	11,925
	Sales of coupons	**7,595**	5,261
	Service fee expense	**57,497**	39,638
Ultimate holding company	Royalty expenses	**11,930**	13,964
Non-controlling shareholder of the subsidiary*	Repayments of lease liabilities	**24,329**	20,888
	Interest on lease liabilities	**3,349**	5,006
	Management fees and utilities expenses	**6,433**	6,700
Directors and key management	Remuneration	**2,601**	3,587

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

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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Amounts due from fellow subsidiaries (included in other receivables, prepayments and deposits)	**3,752**	4,315
Amounts due to fellow subsidiaries (included in lease liabilities)	**16,086**	27,442
Amount due from a non-controlling shareholder of the subsidiary (included in other receivables, prepayments and deposits)	**4,449**	4,632
Amount due to a non-controlling shareholder of the subsidiary (included in lease liabilities)	**89,938**	109,080

20 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	
Recurring fair value measurements	**30 June 2023 HK$'000 (unaudited)**	31 December 2022 HK$'000 (audited)
Equity instruments at FVTOCI		
Listed equity securities	**20,797**	18,925

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 2022 and 30 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 October 2023 to 6 October 2023 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to the interim dividend, during which period no transfers of Shares will be registered. In order to qualify for the 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 4 October 2023.

BUSINESS REVIEW

In the first half of 2023, the COVID-19 situation remained volatile, and the international political tug-of-war has yet to be eliminated. The global economy has improved but not fully recovered and the pace of recovery in the retail market remained slow. In the face of various uncertainties, the Group continued to adopt flexible operational strategies to maintain market competitiveness.

HONG KONG OPERATIONS

The Hong Kong retail market has gradually recovered as the pandemic eased and the border reopened and the number of inbound tourists increased. In June, the value of total retail sales in Hong Kong rose 19.6%* year-on-year. Excluding price changes, the provisional estimate of the volume of total retail sales for the month rose 17.5%* year-on-year.

During the period, the sales performance of tourism-related goods such as jewelry and watches rose sharply, driven by the recovery of the tourism industry and positive consumer sentiment in Hong Kong. However, the performance of the local market remained weak, with no significant improvement in the sales of daily consumables such as food and supermarket products. Following the reopening of the border, there has been an outbound travel frenzy among local customers who had not been able to travel for a long time due to the pandemic, resulting in the continued sluggish performance of the local retail sector.

In order to attract more tourists to Hong Kong, the Hong Kong government launched the "Hello, Hong Kong!" campaign in February 2023, followed by the "Happy Hong Kong" event in April 2023, launching a comprehensive range of promotions targeting local citizens. Together with the first round of the Consumption Voucher Scheme launched this year to stimulate the retail, catering and other industries, these initiatives boosted local consumption, revitalized the economy, and had a somewhat positive effect on the retail industry.

In the first half of 2023, the Group strengthened its "Made in Hong Kong" product series and launched a large-scale themed promotional event entitled "Welcome To Hong Kong" to provide tourists and local customers with unique products in Hong Kong.

With regard to its small specialty store business, the Group continued its strategic cooperation with Daiso Industries Co., Ltd. ("DAISO") to expand its network of small specialty stores in Hong Kong.

In June 2023, the Group opened its second and third "KOMEDA'S Coffee", which originate from Nagoya, Japan, in Tuen Mun and Tsim Sha Tsui, to accelerate the development of AEON Hong Kong's specialty restaurant chain business.

In the first half year, the Group's revenue from its Hong Kong operations decreased by 10.4% to HK$2,102.2 million (2022: HK$2,347.2 million). The loss from the Hong Kong operations decreased to HK$71.6 million (2022: loss of HK$76.1 million).

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

BUSINESS REVIEW (Continued)

PRC OPERATIONS

In the first half of 2023, with the relaxation of COVID-19 prevention and control policies in Mainland China (the "PRC"), overall consumption, including retail merchandise and food and beverage, improved compared with the same period last year while the sales of upgraded products grew faster. Among them, the business performance of general merchandise stores ("GMS") in prime business districts picked up significantly. However, the sales performance of community-based stores and online retail remained sluggish.

Overall, mass consumption tended to be conservative due to factors such as geopolitical turmoil and uncertain macroeconomic prospects. The national consumer price index (CPI) remained flat at 0.7% year-on-year, reflecting the lack of confidence in the mid- to long-term economic recovery.

In response to the current consumption situation, the Group proactively optimized the product mix of its food division, especially enriching the variety of fruits, vegetables and fresh products, which boosted sales during the period. The Group also expanded the proportion of sales of its private label merchandise, provided more directly imported goods, and reduced the number of intermediaries in order to control costs effectively.

During the review period, the Group continued to adjust its operating network by closing the AEON supermarket at Port City, Guangzhou in January 2023 and the AEON GMS at Xinzhou, Shenzhen in February 2023 to reduce the Group's financial burden.

The revenue from the PRC business in the first half year decreased by 10.4% to HK$2,419.6 million (2022: HK$2,701.5 million). The loss of the PRC business decreased to HK$15.4 million (2022: loss of HK$85.6 million).

PROSPECTS

HONG KONG OPERATIONS

External geopolitical factors, the unfavorable economic environment in Europe, the high exchange rate of the U.S. dollar and the COVID-19 pandemic have weighed on the factors supporting Hong Kong's economic growth, such as exports, fixed investments and consumption. The persistent rise in domestic prices has discouraged tourists from visiting and spending in Hong Kong. With the frequent visits of Mainland tourists to Hong Kong, the retail market may improve, but the overall economic downturn will inevitably affect consumer sentiment to some extent.

The second round of the 2023 Consumption Voucher Scheme has been launched in July 2023. However, with the regularization of the Scheme and the increase in inflationary pressure, the public has become more cautious in their consumption. Therefore, the Group believes that the impact of the Scheme on its sales performance in the third quarter of 2023 will be limited. Spending by Mainland visitors to Hong Kong has not yet returned to pre-pandemic levels. This, coupled with the manpower shortage in the retail industry, will continue to add uncertainties to the Group's operations in the second half of 2023.

To address these challenges, the Group will push ahead with digital transformation to reduce repetitive manual tasks and better deploy human resources. For example, back-end operations can be enhanced to improve work efficiency and effectively control costs by using "Mobile Assistant"/"Employee Operation Assistant". At the same time, it has expanded the application of the Self Payment Machine, "POS Express" and High-Speed Cash Recycler to simplify the daily and back-end work of the stores, and hence improve operational efficiency.

In addition, the Group plans to strengthen its online supermarket initiatives to enhance its competitiveness in the e-commerce arena. By encouraging customers to use the mobile AEON App, the Group will be able to drive online sales and maintain customer loyalty. In the second half of 2023, the Group will launch a delivery service on the "AEON App", aiming to provide customers with a more convenient and satisfactory shopping experience while leveraging online platforms to enhance sales performance.

As for the offline business, the Group will accelerate product reform and broaden differentiation to meet the different needs of customers. It will also further expand its small specialty store network, deepen its strategic cooperation with DAISO, and open pop-up stores in suitable locations to attract more customers and improve business performance.

PROSPECTS (Continued)

PRC OPERATIONS

Due to the geopolitical instability and uncertain economic outlook, the Group does not expect any significant change in customers' consumption pattern in the short term. Although the retail market is gradually recovering, the pace of rebound will continue to be slow.

In the face of an uncertain economic outlook, the Group will continue to adopt a prudent approach and focus on developing its own business and controlling costs in order to achieve continuous improvement in performance. In terms of products, the Group will accelerate product reform and broaden differentiation to meet the post-pandemic shopping needs of customers. It will also capitalize on the strengths of its global supply chain to increase the proportion of proprietary brands and boost profitability.

As for the store network, the Group has opened one supermarket in Guangzhou in August 2023 and expects to open one more supermarket in Zhuhai in September 2023 and renovate certain stores as scheduled to enhance customers' shopping experience. It will also continue to review and optimize its existing store layout to improve operational efficiency and business performance.

GROUP

According to the 2023 investment plan, the Group's total capital expenditure in the second half of 2023 is expected to be approximately HK$56.2 million.

Save as mentioned above or otherwise disclosed, there have been no material events affecting the Group's business from 30 June 2023 up to the date of authorisation for the release of these consolidated financial statements.

FINANCIAL REVIEW

In the first half of the year 2023, the Group's revenue decreased by 10.4% year-on-year to HK$4,521.8 million (2022: HK$5,048.7 million). Gross profit margin improved by 0.5 percentage points to 28.8% (2022: 28.3%).

As for other income, no government grants were received from the Hong Kong government and municipal governments in Mainland China in the period (2022: HK$19.3 million) resulted in an overall decrease of 9.0% as compared with last year.

For operating expenses during the period under review, the Group's staff cost decreased by 10.7% and its ratio to revenue decreased to 10.9% (2022: 11.0%). Expenses related to leases decreased by 8.2% and the ratio of expenses to revenue increased to 11.6% (2022: 11.3%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses (including building management fee), utility expenses, administrative expenses and other expenses, decreased by 5.6% year-on-year and the ratio of other expenses to revenue was 11.7% (2022: 11.1%).

Included in other gains and losses, amongst others, was exchange gain of HK$4.4 million (2022: exchange loss of HK$11.9 million). In addition, there was no impairment loss recognized in respect of right-of-use assets (2022: HK$7.7 million) and in respect of property, plant and equipment (2022: HK$28.8 million) in the review period.

Due to the above changes, loss attributable to owners of the Company for the period under review was HK$78.2 million (2022: loss of HK$144.6 million), representing a decrease of HK$66.4 million.

The Group's adjusted EBITDA (which is defined by EBITDA less interest on lease liabilities and repayment of lease liabilities) for the period was loss HK$55.2 million (2022: loss HK$26.7 million), loss increased by HK$28.5 million.

The Board declared an interim dividend of HK$0.02 (2022: HK$0.03) per share for the six months ended 30 June 2023. 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.

FINANCIAL REVIEW (Continued)

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$57.5 million.

The Group also entered into new lease agreements and lease modifications in the review period and recognized additional HK$77.3 million (2022: HK$64.8 million) of right-of-use assets and HK$74.4 million (2022: HK$66.9 million) lease liabilities.

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$1,266.1 million as at 30 June 2023 (31 December 2022: HK$1,423.4 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 2023, deposits of HK$124.2 million (31 December 2022: HK$23.7 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$6.7 million (31 December 2022: HK$6.7 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2023 amounted to HK$3,077.0 million (31 December 2022: HK$3,481.3 million), of which HK$795.4 million (31 December 2022: HK$827.0 million) is payable within one year. The Group's lease liabilities to equity ratio as at 30 June 2023 (defined as the total lease liabilities divided by total equity) was 14,628% (31 December 2022: 3,417%).

As at 30 June 2023, the Group's current liabilities exceeded its current assets by HK$662.5 million (31 December 2022: net current liabilities of HK$615.8 million). The directors considered that the Group has sufficient financial sources available to fund its operations in the foreseeable future and will be able to meet its financial obligations when they fall due.

HUMAN RESOURCES

As at 30 June 2023, the Group had approximately 5,400 full-time and 3,900 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 2023, the interests of the Directors and chief executive of the Company in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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	Number of shares held as personal interests	Approximate percentage of interests
NAKAGAWA Isei	15,000	0.00577%
NAGASHIMA Takenori	12,000	0.00462%
HISANAGA Shinya	30,000	0.01154%

DIRECTORS' INTERESTS IN SHARES (Continued)

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

Directors	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%
GOTO Toshiya	6,300	0.00072%

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

Other than as disclosed above, as at 30 June 2023, 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 2023, 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 shareholder	Long Position Number of ordinary shares held	Approximate percentage of the total number of issued shares
AEON Co., Ltd.	157,536,000 (Note)	60.59%

Note: These shares are 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. is 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023 and up to the date of this report.

CORPORATE GOVERNANCE

The Board has complied throughout the six months ended 30 June 2023 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 2023.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2023 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
FUKUDA Makoto	Resigned as the corporate auditor of AEON Financial Service Co., Ltd. with effect from 24 May 2023
INOHARA Hiroyuki	Resigned as directors of Qingdao AEON Dongtai Co., Ltd. and 永旺夢樂城(中國)投資有限公司 with effect from 14 April 2023 and 24 March 2023 respectively

(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 2023 are as follows:

Directors	Emoluments HK$
NAGASHIMA Takenori	2,325,000
HISANAGA Shinya	1,873,000
GOTO Toshiya	48,000
SHUM Wing Ting	200,000

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

Hong Kong, 25 August 2023