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AEON STORES (HONG KONG) CO., LIMITED

永旺(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

2025 ANNUAL RESULTS

The Board of Directors (the “Board”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) is pleased to announce the results of the Company and its subsidiaries (the “Group” or “AEON”) for the year ended 31 December 2025 together with comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	NOTES	2025 HK\$'000	2024 HK\$'000
Revenue	3	7,795,154	8,095,338
Other income	5	436,700	478,948
Investment income		8,813	16,715
Interest income from rental deposits		12,807	11,023
Purchase of goods and changes in inventories		(5,578,938)	(5,755,960)
Staff costs		(847,924)	(965,101)
Depreciation of investment properties		(73,016)	(64,862)
Depreciation of property, plant and equipment		(140,072)	(135,126)
Depreciation of right-of-use assets		(654,017)	(676,758)
Lease expenses		(54,976)	(88,547)
Other expenses	6	(1,049,424)	(1,037,203)
Pre-operating expenses		(9,348)	(3,811)
Other gains and losses	7	21,015	2,844
Finance costs		(8,190)	(1,236)
Interest on lease liabilities		(210,044)	(214,798)
Loss before tax		(351,460)	(338,534)
Income tax expense	8	(2,594)	(2,187)
Loss for the year		(354,054)	(340,721)
Loss for the year attributable to:			
Owners of the Company		(324,351)	(338,070)
Non-controlling interest		(29,703)	(2,651)
		(354,054)	(340,721)
Loss per share (basic and diluted)	10	(124.75) HK Cents	(130.03) HK Cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	2025	2024
	HK\$'000	HK\$'000
Loss for the year	<u>(354,054)</u>	<u>(340,721)</u>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	3,231	1,789
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of operations outside Hong Kong	<u>(4,321)</u>	<u>2,994</u>
Other comprehensive income for the year, net of income tax	<u>(1,090)</u>	<u>4,783</u>
Total comprehensive income for the year	<u>(355,144)</u>	<u>(335,938)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	(326,792)	(331,847)
Non-controlling interest	<u>(28,352)</u>	<u>(4,091)</u>
	<u>(355,144)</u>	<u>(335,938)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2025**

	NOTES	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment		453,930	411,519
Right-of-use assets		2,284,677	2,532,346
Investment properties		356,886	386,700
Equity instruments at FVTOCI		5,819	12,549
Pledged bank deposits		30,585	26,358
Time deposits		2,960	5,404
Deferred tax assets		19,301	21,265
Rental and related deposits paid		198,257	212,908
		<u>3,352,415</u>	<u>3,609,049</u>
Current assets			
Inventories		773,021	845,714
Receivables, prepayments and deposits	11	151,778	132,606
Amounts due from fellow subsidiaries		10,937	19,895
Pledged bank deposits		12,645	17,474
Time deposits		208,304	315,300
Bank balances and cash		400,541	515,277
		<u>1,557,226</u>	<u>1,846,266</u>
Current liabilities			
Trade payables	12	1,027,884	1,005,254
Other payables, accrued charges and other liabilities		585,772	632,156
Lease liabilities		682,901	757,615
Contract liabilities		352,458	370,642
Dividend payable		201	201
Amount due to ultimate holding company		26,415	21,936
Loans from ultimate holding company	13	416,357	229,659
Amounts due to fellow subsidiaries		25,154	27,891
Tax payable		188	185
		<u>3,117,330</u>	<u>3,045,539</u>
Net current liabilities		<u>(1,560,104)</u>	<u>(1,199,273)</u>
Total assets less current liabilities		<u>1,792,311</u>	<u>2,409,776</u>
Non-current liabilities			
Rental deposits received and other liabilities		116,619	134,268
Lease liabilities		2,461,577	2,706,249
		<u>2,578,196</u>	<u>2,840,517</u>
Net liabilities		<u>(785,885)</u>	<u>(430,741)</u>
Capital and reserves			
Share capital		115,158	115,158
Reserves		(971,535)	(644,743)
Deficit attributable to owners of the Company		(856,377)	(529,585)
Non-controlling interest		70,492	98,844
Total deficit		<u>(785,885)</u>	<u>(430,741)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial information relating to the years ended 31 December 2025 and 2024 included in these preliminary announcements of annual results for the years ended 31 December 2025 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2025 in due course.

The Company’s auditor has reported on the consolidated financial statements of the Group for both years. The auditor’s report was unqualified; included a reference to a matter 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.

During the year ended 31 December 2025, the Group incurred a loss for the year of HK\$354,054,000 and net cash outflow in respect of operating activities and lease liabilities of HK\$255,382,000. As at 31 December 2025, the Group had net current liabilities of HK\$1,560,104,000. As of the date of this announcement, the inter-company loans due to its immediate and ultimate holding company amounted to HK\$544,931,000, in which (i) HK\$65,632,000 will be repayable on 30 June 2026 and (ii) HK\$479,299,000 will be repayable on 28 February 2027. The Group would require continued financial support from its immediate and ultimate holding company to continue its operations as a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration of the liquidity requirements for the Group’s operations and reviewed the Group’s cash flow forecast prepared by management which covers at least twelve months from 31 December 2025. Management’s cash flow forecast include assumptions with regards to the anticipated cash flows generated from and used in the Group’s operations and related capital expenditures and a continued financial support from its immediate and ultimate holding company, AEON Co., Ltd., including but not limited to the extension of the repayment of inter-company loan upon their maturities and the provision of additional sufficient financial resources to enable the Group to continue its operations and to meet its liabilities as and when they fall due.

1. BASIS OF PREPARATION – continued

The directors, after due consideration of the Group's liquidity requirements and based on the cash flows forecast and the confirmation of continued financial support from the Group's ultimate holding company, are of the opinion that the Group is able to meet its financial obligations as and when they fall due for at least twelve months from 31 December 2025 and accordingly it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. Should the Group not be able to continue operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments had not been reflected on these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for preparation of the financial statements:

Amendments to HKAS 21 *The effects of changes in foreign exchange rates – Lack of exchangeability*

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

	<u>For the year ended 31 December 2025</u>		
	<u>Hong Kong</u>	<u>Chinese Mainland</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Direct sales	3,345,388	4,017,288	7,362,676
Income from concessionaire sales	246,904	185,574	432,478
	<u>3,592,292</u>	<u>4,202,862</u>	<u>7,795,154</u>

3. REVENUE— continued

	For the year ended 31 December 2024		
	<u>Hong Kong</u> HK\$'000	<u>Chinese Mainland</u> HK\$'000	<u>Total</u> HK\$'000
Direct sales	3,478,040	4,141,036	7,619,076
Income from concessionaire sales	<u>267,955</u>	<u>208,307</u>	<u>476,262</u>
	<u>3,745,995</u>	<u>4,349,343</u>	<u>8,095,338</u>

(ii) Performance obligations for contracts with customers

Direct sales

The Group sells merchandise directly to customers both through its own retail stores and through internet sales.

For sales of merchandise to retail customers, revenue is recognised when control of the goods has transferred to the customer, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are accepted by the customer. Delivery occurs when the goods have been delivered to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

The Group also grants award credits for customers under the Group's customer loyalty scheme, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods using the award credits at the retail stores.

There is no term on goods return under the Group's standard contract but generally the Group allows the customers to exchange the goods within one week in the case of defect items. Because the sales amount returned has been steady for years, it is highly probably that a significant reversal in the cumulative revenue recognised will not occur.

Income from concessionaire sales

Under concessionaire sales, the Group acts as an agent to arrange for licensees to sell their goods in the retail stores of the Group. Income from concessionaire sales is recognised when the goods of the licensees have been sold, based on certain percentage of the sales amount.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2025 and 2024, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

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 in terms of nature of products, type of customers and nature of the regulatory environment. The chief operating decision makers identify Hong Kong and Chinese Mainland as the two reportable segments.

Segment revenues and results

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

For the year ended 31 December 2025

	<u>Hong Kong</u> HK\$'000	<u>Chinese</u> <u>Mainland</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	3,592,292	4,202,862	-	7,795,154
Inter-segment sales	-	6,131	(6,131)	-
	<u>3,592,292</u>	<u>4,208,993</u>	<u>(6,131)</u>	<u>7,795,154</u>
Segment loss	<u>(192,355)</u>	<u>(159,728)</u>	<u>-</u>	<u>(352,083)</u>
Investment income				8,813
Finance costs				(8,190)
Loss before tax				<u>(351,460)</u>

For the year ended 31 December 2024

	<u>Hong Kong</u> HK\$'000	<u>Chinese</u> <u>Mainland</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Total</u> HK\$'000
Segment revenue - external	3,745,995	4,349,343	-	8,095,338
Inter-segment sales	-	11,309	(11,309)	-
	<u>3,745,995</u>	<u>4,360,652</u>	<u>(11,309)</u>	<u>8,095,338</u>
Segment loss	<u>(288,157)</u>	<u>(65,856)</u>	<u>-</u>	<u>(354,013)</u>
Investment income				16,715
Finance costs				(1,236)
Loss before tax				<u>(338,534)</u>

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

4. OPERATING SEGMENTS— continued

Segment revenues and results— continued

Inter-segment revenue is charged at cost.

The chief operating decision makers make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the chief operating decision makers do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Rental income from investment properties	302,071	316,689
Government grants	371	7,432
Management fee and other income from sub-leases	60,651	62,827
Platform collaboration income	40,222	47,722
Others	33,385	44,278
	<u>436,700</u>	<u>478,948</u>

During the year, the Group recognised government grants HK\$371,000 (2024:HK\$7,432,000) relating to subsidies granted by municipal governments in Chinese Mainland.

6. OTHER EXPENSES

	2025 HK\$'000	2024 HK\$'000
Advertising, promotion and selling expenses	278,009	290,065
Maintenance, repair and building management fees	365,261	350,342
Utilities expenses	144,561	138,169
Administrative expenses	224,935	221,627
Other expenses	36,658	37,000
	<u>1,049,424</u>	<u>1,037,203</u>

7. OTHER GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Exchange gain /(loss), net	24,979	(5,917)
Impairment loss recognised in respect of property, plant and equipment	(158)	(2,151)
Loss on disposal / written off of property plant and equipment	(989)	(435)
Gain on lease modifications	1	11,347
Loss allowance on rental deposits	(2,818)	-
	<u>21,015</u>	<u>2,844</u>

8. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
The charges comprise:		
Current tax		
PRC withholding tax	<u>306</u>	<u>39</u>
	<u>306</u>	<u>39</u>
Deferred tax		
Current year	<u>2,288</u>	<u>2,148</u>
Income tax expense for the year	<u><u>2,594</u></u>	<u><u>2,187</u></u>

No provision for Hong Kong Profits Tax is made as the Group has sustained a loss for both years.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Chinese Mainland subsidiaries is 25% for both years.

Under the EIT Law of the PRC, withholding tax is imposed on interest income received from Chinese Mainland subsidiaries from 1 January 2008 onwards.

9. DIVIDENDS

No dividend was paid or proposed for ordinary Shareholders during the year ended 31 December 2025 and 2024, nor has any dividend proposed after the reporting period.

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 year attributable to owners of the Company of HK\$324,351,000 (2024: HK\$338,070,000) and on 260,000,000 (2024: 260,000,000) ordinary shares in issue during the year

Diluted loss per share for the years ended 31 December 2025 and 2024 were the same as their respective basic loss per share as there were no potential dilutive ordinary shares in issue for both years.

11. ACCOUNTS RECEIVABLE

The Group's accounts receivable arises 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\$25,933,000 (2024: HK\$28,726,000) is due within 30 days and the remaining balances are due over 30 days (2024: 60 days). There are no significant overdue balances of those accounts receivable at the end of reporting period and no default is expected.

12. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	2025	2024
	HK\$'000	HK\$'000
0 to 60 days	876,726	872,264
61 to 90 days	55,066	43,839
Over 90 days	96,092	89,151
	<u>1,027,884</u>	<u>1,005,254</u>

13. LOANS FROM ULTIMATE HOLDING COMPANY

The loans from the ultimate holding company bear interest at 2.50% to 2.55% per annum, are unsecured and repayable on 28 February 2026. After the end of the reporting period, the Company entered into an agreement with AEON Co., Ltd., its ultimate holding company to extend the maturity date of loans to 28 February 2027.

14. EVENTS AFTER THE REPORTING PERIOD

Apart from the events disclosed in note 13, after the end of the reporting period, the Company has drawn down loans from AEON Co., Ltd, its ultimate holding company, amounting to (i) HK\$62,942,000 in January 2026 which is repayable on 28 February 2027 and (ii) HK\$65,632,000 in February 2026 which is repayable on 30 June 2026, respectively.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 May 2026 to 28 May 2026 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting for 2026 ("AGM"), during which period no transfers of Shares will be registered. In order to qualify for attending and voting at the AGM, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 21 May 2026. The record date for determining the eligibility of the Shareholders to attend and vote at the AGM will be 28 May 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2025, against a backdrop of geopolitical tensions and high tariffs, the global economy demonstrated robust resilience and maintained stable and moderate growth overall. Hong Kong's economy recorded a notable recovery, though the local retail sector remained affected by a number of factors. The business environment in the Chinese Mainland remained complex, with consumer sentiment still cautious. Facing a volatile market environment, the Group actively responded to market changes and continued to promote merchandise reform, store network optimization and digital transformation, aiming to improve operational efficiency and maintain business resilience.

Hong Kong Operations

In 2025, Hong Kong's economy demonstrated steady growth, with real GDP rising by 3.5%, accelerating from the 2.6% increase recorded in 2024. However, affected by multiple structural challenges, including the surge in "northbound" consumption by Hong Kong residents, intensified competition from Chinese Mainland e-commerce platforms expanding into Hong Kong, and shifts in tourist consumption patterns, the provisional estimate for Hong Kong's total retail sales value was HK\$380.5 billion. This represents only a slight increase of 1.0% over 2024, with local consumption pressures persisting. In this business environment, the Group proactively adjusted its business model and advanced reforms across multiple areas, including merchandise strategy, store network and operational management.

During the year, the Group accelerated its merchandise reform efforts, including restructuring its private brand portfolio and enhancing product differentiation. In addition to TOPVALU, HÓME CÓORDY and PEACE FIT WARM/COOL, the Group introduced fashion brand ESSEME during the year and further expanded SELF+SERVICE, which were both well-received by customers. This drove significant year-on-year sales growth of more than 21% for private brands. In terms of its product portfolio, the Group kept up to date with market trends and successfully launched popular IP products such as "Opanchu Usagi". Concurrently, it further expanded its range of products imported directly from Japan and Southeast Asia, providing customers with a richer selection. In addition, the Group continued to provide customers with distinctive products and new shopping experiences through themed promotional events such as AEON's "Vietnamese Fair", "Japanese Food Fair", "Korean Fair", and "TOPVALU Fair", thereby implementing its product differentiation strategy.

The Group continued to expand into different formats and flexibly develop specialty stores. During the year, in addition to the opening of AEON STYLE Kai Tak and the upgrade and renovation of AEON STYLE Kornhill, the Group focused its resources on developing the "differentiation + high-return" specialty store model. This included the opening of the DAISO Japan WORFU store, the Green Code store, and the AEON Mono Mono stores in Ngau Tau Kok, Tai Po Tai Yuen Estate and Tsing Yi. Leveraging the advantages of specialty stores, including flexible locations, lower overall operating costs and relatively low rental costs, combined with the Group's high-value product mix, the model helped drive profit performance.

BUSINESS REVIEW– continued

Hong Kong Operations– continued

To enhance operational efficiency, the Group continued to advance its digital transformation, including expanding the application scope of electronic shelf labels, self-checkout systems and the “Mobile Assistant”. In December, the Group also piloted Hong Kong’s first X-Trolley smart shopping cart at AEON STYLE Kai Tak. Equipped with product location features and rapid self-checkout options, it simplifies the shopping process for customers while reducing manual operations. During the year, the Group continued to enhance the promotion and operation of online platforms such as the AEON APP to strengthen its e-commerce performance. In addition, the Group implemented reforms across multiple fronts to increase overall efficiency, including improving warehousing and logistics efficiency, optimizing human resource allocation, and reviewing and adjusting leasing arrangements.

During the year under review, revenue from Hong Kong operations recorded a full-year revenue decline of approximately 4.1% to HK\$3,592.3 million (2024: HK\$3,746.0 million), and a loss of HK\$192.4 million, which represented a narrowing compared with the corresponding period last year (2024: loss of HK\$288.2 million).

Chinese Mainland Operations

In 2025, the Chinese Mainland economy maintained steady growth, supported by policy measures. However, it continued to face challenges such as an imbalance between “strong supply and weak demand”, volatility arising from real estate market adjustments, and a more complex external trade environment. Last year, the Chinese Mainland’s GDP exceeded RMB140 trillion, representing a year-on-year increase of 5.0%. In 2025, Guangdong Province’s GDP grew by 3.9% year-on-year to RMB14.58 trillion. Total retail sales of consumer goods for the year increased by 2.8% year-on-year, a growth rate 2.0 percentage points faster than the previous year.

During the year, the Group capitalized on the increased customer traffic resulting from changes in the external environment, including the “northbound consumption” trend among Hong Kong residents. It opened eight new stores including the AEON Guangzhou Hengbao Store, Guangzhou Lingzhan Store, Guangzhou Guanghuicheng Store, Guangzhou Hanxi Avenue Store, Guangzhou Tower Store, Shenzhen Longgang Renheng Store, Foshan MixC Store, Jiangmen Lihe Plaza Store. This enabled the Group to achieve its goal of increasing market share in the Greater Bay Area. Meanwhile, the Group revitalized and renovated the Foshan Oriental Plaza Store, Dongguan First International Store and Guangzhou Teemall Store during the year to meet customers’ evolving needs and provide differentiated shopping experiences. AEON STYLE Guangzhou Teemall broke away from traditional department store classification methods, by enhancing four key elements – merchandise, services, environment, and experience – to offer customers a personalized, immersive, and enjoyable shopping journey. However, due to changes in customer demographics and demand, as well as intensified industry competition, the segment saw a decrease in performance.

Revenue from the Chinese Mainland operations recorded a full-year revenue decline of approximately 3.4% to HK\$4,202.9 million (2024: HK\$4,349.3 million), and a loss of HK\$159.7 million (2024: loss of HK\$65.8 million).

PROSPECTS

Hong Kong Operations

Looking ahead to 2026, Hong Kong’s economy is expected to continue the recovery trend seen in 2025. Benefiting from the rebound of the Chinese Mainland economy, a stronger Renminbi, and consumption stimulus measures, the retail sector is set to regain momentum. The Group will drive sales and profitability through a series of operational reforms and strategic initiatives, while strengthening cost management and institutional reform to achieve its overall business objectives.

PROSPECTS– continued

Hong Kong Operations– continued

In terms of product structure, the Group will optimize the assortment of its private brand products and strengthen their sales performance to differentiate itself in the market, consolidate its differentiated competitive edge, and leverage the products as an engine for profit growth. In addition, the Group will focus on growth categories and those with share gaps, and improve its sales structure and gross margin performance through more precise merchandise strategies and resource allocation. It will also continue to provide products that highlight AEON’s unique characteristics and offer highly competitive prices through global sourcing and increased direct imports. At the same time, the Group will explore new business growth opportunities to fill gaps in its current assortment and provide suitable exclusive products tailored to customer needs.

The Group will continue to accelerate the expansion of its specialty stores, with the goal of opening 10 new AEON Mono Mono stores in 2026. It will also strengthen its profitability by refining its product portfolio, supply chain, and promotional activities. In addition, the Group will continue to review its store portfolio, make flexible adjustments as needed, and proactively monitor store performance. Where necessary, it will streamline its retail network to improve operational efficiency.

Facing pressure from rising fixed costs, the Group will focus on improving inventory management and turnover efficiency in order to boost gross margin and cash flow. At the same time, it will strive to reduce overall logistics costs and improve operational efficiency through supply chain restructuring, the introduction of new logistics models, the activation of the Shenzhen warehouse, and strengthened collaboration with AEON TOPVALU Co., Ltd.

Additionally, the Group will accelerate its digital transformation to drive long-term competitiveness through technology. It will work closely with AEON Digital Management Center to apply digital technologies across merchandise management, the supply chain, store operations, promotions, and management. This includes an AI security system, smart shopping carts, the ONE AEON membership system, e-vouchers and the “Mobile Assistant”, enhancing the customer experience and the Group’s operational efficiency. Meanwhile, the Group will expand the scale of the AEON APP and increase the number of self-pickup locations to optimize existing services and enhance the Group’s market competitiveness.

Chinese Mainland Operations

The year 2026 marks the beginning of the “15th Five-Year Plan” for the Chinese Mainland economy, with macro policies expected to focus on expanding domestic demand. The Group will seize relevant opportunities to rebuild its operational foundation and accelerate the pace of business transformation. The Group will clearly define its target customer base and deliver tailored products and services based on their specific needs. At the same time, it will prioritise membership management to steadily increase both membership numbers and purchase frequency. In addition, by expanding the sales scale of the AEON APP and improving real-time delivery services, the Group will deepen the online-offline integrated experience, thereby boosting customer loyalty and lifetime value.

In terms of store format deployment and product structure, the Group continues to expand its Supermarket operations with the aim of increasing its market share. Leveraging its existing TOPVALU products as the foundation of its stores offering, the Group seeks to establish a low-cost operating model while simultaneously developing new products to build a competitive edge in both price and quality. The Group plans to open 3 new Supermarkets in the coming year.

PROSPECTS– continued

Chinese Mainland Operations– continued

To ensure it achieves its strategic goals, the Group will proceed with the concurrent development of new systems, logistics, and organizational structures. By upgrading its system and logistics center, the Group will integrate a new regional distribution hub to support its business growth in South China, and, through digitalization and infrastructure enhancements, comprehensively improve on-site operations and store efficiency.

GROUP

Under the 2026 investment plan, the total estimated expenditure for new store openings and store renovations is approximately HK\$110.84 million.

Save as mentioned above or otherwise disclosed, there have been no material events affecting the Group's business from 31 December 2025 up to the date of authorization for the release of these consolidated financial statements.

FINANCIAL REVIEW

In the year 2025, the Group's revenue decreased by 3.7% year-on-year to HK\$7,795.2 million (2024: HK\$8,095.3 million). Gross profit margin dropped 0.5% to 28.4% (2024: 28.9%).

As for other income, income derived from sub-leases and others income decreased by HK\$35.2 million (2024: decreased by HK\$10.8 million). Meanwhile, government grants received decreased by HK\$7.0 million to HK\$0.4 million (2024: HK\$7.4 million) and other income resulted in an overall decrease by 8.8% as compared with last year.

For operating expenses during the year under review, the Group's staff cost decreased by 12.1% and its ratio to revenue decreased slightly to 10.9% (2024: 11.9%). Expenses related to leases decreased by 5.1% and the ratio of expenses to revenue increased to 12.7% (2024: 12.9%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, increased by 1.2% year-on-year and the ratio of other expenses to revenue was 13.5% (2024: 12.8%).

Included in other gains and losses, amongst others, was exchange gain of HK\$24.9 million (2024: exchange loss of HK\$5.9 million). In addition, impairment loss in respect of property, plant and equipment of HK\$0.2 million (2024: HK\$2.2 million) was recognised in the year.

Due to the above changes, loss attributable to owners of the Company for the year was HK\$324.4 million (2024: loss of HK\$338.1 million), representing a decrease in loss by HK\$13.7 million.

The Group's adjusted EBITDA¹ for the year was loss of HK\$283.7 million (2024: loss of HK\$246.7 million), loss increased by HK\$37.0 million mainly due to the decrease in revenue.

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 and does not recommend a final dividend (2024 Final: HK\$ nil) for the year ended 31 December 2025.

FINANCIAL REVIEW– continued

During the year, capital expenditure for opening new stores and store renovation in Hong Kong and Chinese Mainland and the upgrade of information technology systems amounted to HK\$183.4 million.

The Group also entered into new lease agreements and lease modifications in the year and recognised additional right-of-use assets of HK\$382.1 million (2024: HK\$970.0 million).

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK\$608.8 million as at 31 December 2025 (2024: HK\$830.6 million). As at 31 December 2025, the gearing ratio (which is calculated on the basis of loan from ultimate holding company divided by total deficit) was -52.98% (2024: -53.32%).

As at year end date, deposits of HK\$36.1 million (2024: HK\$36.8 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK\$7.2 million (2024: HK\$7.0 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

As at 31 December 2025, the Group's current liabilities exceeded its current assets by HK\$1,560.1 million (2024: net current liabilities of HK\$1,199.3 million). The directors consider 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.

Note 1 Management considered that the Adjusted EBITDA reflected more properly the Groups' earnings from its operations.

<u>Reconciliation of Adjusted EBITDA</u>	FY2025	FY2024
	HK\$'000	HK\$'000
Loss for the year	(354,054)	(340,721)
 <i><u>Adjusting items for EBITDA</u></i>		
Income tax expense	2,594	2,187
Depreciation of investment properties	73,016	64,862
Depreciation of property, plant and equipment	140,072	135,126
Depreciation of rights-of-use assets	654,017	676,758
Interest on lease liabilities	210,044	214,798
Investment income	(8,813)	(16,715)
Interest income from rental deposits	(12,807)	(11,023)
Other gains and losses	(21,015)	(2,844)
Finance costs	8,190	1,236
 <i><u>Items for Adjusted EBITDA</u></i>		
Repayment of lease liabilities (included in consolidated cash flow statement) *	(764,925)	(755,518)
Interest on lease liabilities*	(210,044)	(214,798)
 Adjusted EBITDA disclosed	 (283,725)	 (246,652)

* The total of interest on lease liabilities and repayment of lease liabilities represents the rental payment as stated in the lease agreements. Both items are classified as cash flows under financing activities instead of operating activities.

HUMAN RESOURCES

As at 31 December 2025, the Group had approximately 4,998 full-time and 3,767 part-time employees in Hong Kong and the Chinese Mainland. Under the “Everything we do, we do for our customers” credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group’s ultimate goal is to build AEON into a brand that benefits all customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any).

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 year ended 31 December 2025 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2025 with the code provisions of the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2025.

Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2025 with management.

SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in this preliminary announcement have been agreed by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EXTRACT OF DRAFT INDEPENDENT AUDITOR'S REPORT

As disclosed in Note 1 to the consolidated financial statements reported in this announcement, during the year ended 31 December 2025, the Group incurred a loss of HK\$354,054,000 and net cash outflow in respect of operating activities and lease liabilities of HK\$255,382,000 for the year ended 31 December 2025 and as at that date, had net current liabilities of HK\$1,560,104,000. These indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor has indicated to the Company that, if the conditions at that time continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, then it expects to draw attention to this matter in the auditor's report in the form set out below:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 3.1 to the financial statements which describes that the Group incurred a loss of HK\$354,054,000 and net cash outflow in respect of operating activities and lease liabilities of HK\$255,382,000 for the year ended 31 December 2025 and as at that date, had net current liabilities of HK\$1,560,104,000. As of the date of approval of the consolidated financial statements, the inter-company loans due to its immediate and ultimate holding company amounted to HK\$544,931,000, in which (i) HK\$65,632,000 will be repayable on 30 June 2026 and (ii) HK\$479,299,000 will be repayable on 28 February 2027. The Group would require continued financial support from its immediate and ultimate holding company to continue its operations as a going concern. As stated in note 3.1, these conditions, along with other matters set forth in note 3.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2025 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
Takenori NAGASHIMA
Managing Director

Hong Kong, 27 March 2026

As at the date of this announcement, the Executive Directors are Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Toshiya Goto, Mr. Hiroyuki Inohara, and Mr. Yasutoshi Yokochi; and the Independent Non-executive Directors are Mr. Hideto Mizuno, Ms. Shum Wing Ting and Ms Wong Mei Ling.