

# AEON

AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

## 2025 Annual Report

Stock Code: 984

Develop in the GBA



Expand Store Network



## Everything we do, We do for our customers

Pursuing peace, Respecting humans, and Contributing to local communities,

Always with customers as our starting point



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Directors

Mr. GOTO Toshiya (*Chairman*)  
Mr. INOHARA Hiroyuki  
Mr. YOKOCHI Yasutoshi

#### Independent Non-executive Directors

Mr. MIZUNO Hideto  
Ms. SHUM Wing Ting  
Ms. WONG Mei Ling

### NOMINATION COMMITTEE

Mr. GOTO Toshiya (*Chairman*)  
Mr. MIZUNO Hideto  
Ms. SHUM Wing Ting  
Ms. WONG Mei Ling

### REMUNERATION COMMITTEE

Ms. SHUM Wing Ting (*Chairlady*)  
Mr. GOTO Toshiya  
Mr. MIZUNO Hideto  
Ms. WONG Mei Ling

### AUDIT COMMITTEE

Ms. WONG Mei Ling (*Chairlady*)  
Mr. GOTO Toshiya  
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 Investor Services 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

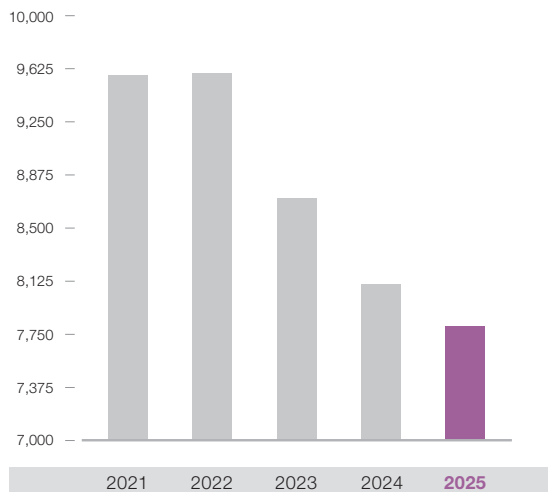
### WEBSITE

[www.aeonstores.com.hk](http://www.aeonstores.com.hk)

# FINANCIAL HIGHLIGHTS

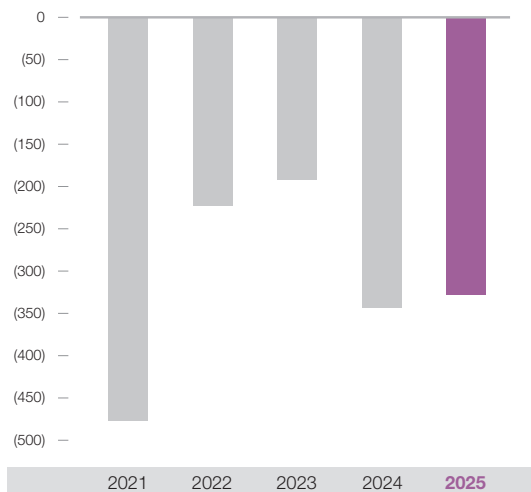
## Revenue

(HK\$ million)



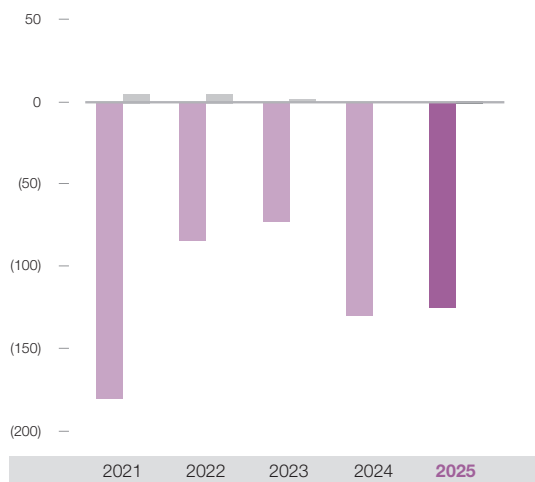
## Loss Attributable to Owners of the Company

(HK\$ million)



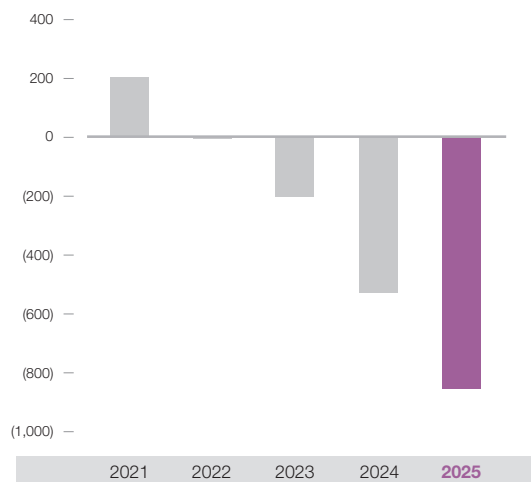
## Loss and Dividends per Share

(HK cents)



## (Deficit)/Equity Attributable to Owners of the Company

(HK\$ million)



- Loss per share
- Dividends per share

## CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2025, the global economy endured persistent geopolitical turbulence and the impact of high tariff policies, which kept overall consumption momentum under pressure. The Chinese Mainland economy maintained steady growth, supported by policy measures, yet the business landscape became increasingly diverse and complex. Internal deflationary pressures persisted, and consumer spending became more cautious. Although Hong Kong's overall economy saw a moderate recovery, the retail market still faced challenges such as shifts in tourist consumption patterns, the normalization of Hong Kong residents traveling outbound and spending up north, and intense industry competition. These factors have intensified the pressure for structural transformation in the local retail sector.

In the face of an uncertain macro environment, the Group was determined to implement a series of reforms. During the year, the Group proactively advanced its merchandise strategy, continuing to deepen product differentiation while focusing on its private brand business. By expanding its lineup of private brands such as TOPVALU and HÓME CÓORDY and successfully introducing the new private fashion brand ESSEME, the Group further enriched its product portfolio and enhanced product uniqueness and customer loyalty. The Group also kept up to date with market trends and actively capitalized on the booming IP character economy by launching co-branded products featuring popular cartoon characters, which were well received by customers. Meanwhile, the Group continued to expand its direct import network, introducing a wider range of distinctive products from Japan and Southeast Asia to respond to consumers' demand for diverse and high-quality products.

The Group is committed to advancing digital transformation and e-commerce development to enhance operational efficiency and the customer experience. Regarding e-commerce, the Group continued to optimize the AEON APP and other online platforms to expand its user base and strengthen online sales. In terms of store digitalization, the Group expanded the application of electronic shelf labels, self-checkout systems and the "Mobile Assistant", effectively improving the operating

efficiency of both front-line and back-end operations. During the year, the Group also piloted Hong Kong's first X-Trolley smart shopping cart at AEON STYLE Kai Tak to simplify the shopping process through innovative technology. The Group systematically advanced initiatives to improve inventory management and turnover days since the second half of the year, while simultaneously optimizing warehousing and logistics, human resource allocation, and leasing arrangements, laying a foundation for long-term, stable development.

In response to shifts in consumer behavior, the Group flexibly adjusted its store network, focusing on expanding specialty stores with better returns. During the year, DAISO Japan opened new branches in WORFU in North Point and Green Code Plaza in Fanling, while AEON Mono Mono expanded to Ngau Tau Kok, Tai Po and Tsing Yi, offering customers in more areas a wider variety of products. The Group also completed the revitalization and upgrade of AEON STYLE Kornhill, adding new shopping elements for customers. In the dining business, the Group introduced a new Japanese-style yakitori restaurant, "やきとり," to AEON STYLE Kornhill, offering customers a fresh catering experience. Looking ahead, the Group will continue to diversify its business development and actively adapt to market changes in order to advance steadily despite challenges.

Intense competition and evolving consumption patterns in Chinese Mainland's retail market have brought unprecedented challenges to brick-and-mortar store operations. As a result, the Group actively adjusted its business strategies in the Greater Bay Area to focus on optimizing its store portfolio and renovating physical stores. During the year, the Group opened several new stores in Guangzhou, Foshan, Jiangmen and other regions, and upgraded the Guangzhou Teemall Store to become the first AEON STYLE store in Chinese Mainland, offering a unique shopping experience that caters to the growing demands of customers. The Group also continued to enhance the value of its physical stores by developing key sales floors and restructuring its product portfolio, while accelerating digital operations and refining its tenant mix to maintain competitiveness amid market adjustments.

## CHAIRMAN'S STATEMENT

Looking ahead to 2026, the global economy is expected to remain on a low-growth trajectory, with escalating geopolitical tensions and tightening trade policies. Nevertheless, Hong Kong's retail market is expected to regain momentum, with a cautiously optimistic outlook due to the gradual stabilization of the Mainland economy, consumption stimulus measures and a stronger RMB. The Group firmly believes that only by confronting challenges head-on can it lay a solid foundation for sustainable development and create long-term value for shareholders and customers.

In Hong Kong, the Group's key strategies include refurbishing flagship stores, strengthening growth and differentiated categories, expanding own-brand products, and accelerating the development of small specialty stores. At the same time, it will strictly control selling and administrative expenses and conduct a comprehensive review of its organization, processes, and work practices to improve staff productivity. In addition, the Group will continue to accelerate digital transformation and work closely with Aeon Digital Management Center to further integrate digitalization across merchandise, the supply chain, store operations, online business and business management. It will also prioritize the generation of stable cash flow as its key operating principle, maintaining rigorous and consistent discipline across profit management, capital allocation, and investment decisions. In the Chinese Mainland, the Group will further clarify its target customers and positioning, build powerful physical stores, recommit to retail fundamentals, and strengthen price competitiveness.

Meanwhile, the Group will focus on maximizing member value, fully advancing the construction of the ONE AEON system. Through in-depth collaboration with AEON Credit Service (Asia) Co., Ltd., it will achieve member resource integration and cross-business synergies to amplify the membership economy effect. In 2026, the Group will further expand the AEON membership base, strengthen member engagement and activity, and lay the groundwork for sales growth and long-term customer relationships.

The Group will continue to make customer-centric innovations and is committed to providing customers with quality shopping experiences through more professional services. We firmly believe that with the entire Group united and steadfast in our commitment to service, we will forge ahead steadily and create an even brighter future together.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the management team and all employees for their dedication and professionalism over the past year. I also extend my appreciation to our partners and customers for their continued trust and support.



**GOTO Toshiya**

*Chairman*

Hong Kong, 27 March 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 models. 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.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 EBITDA<sup>1</sup> 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.

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%).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

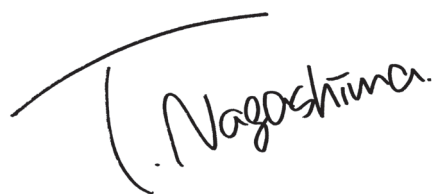
Note 1: Management considered that the Adjusted EBITDA reflected more properly the Groups' earnings

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



**NAGASHIMA Takenori**  
Managing Director

Hong Kong, 27 March 2026

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. ABOUT THE REPORT

AEON Stores (Hong Kong) Co., Limited (the “**Company**”, together with its subsidiaries the “**Group**” or “**we**”) has various retail outlet operations with different characteristics and focuses (“**Store Portfolios**”). To meet diverse demands for unique lifestyle of customers across different locations, the Group has operated General Merchandise Stores, Independent Supermarkets and specialty stores. As a key player in the retail industry, the Group recognizes its environmental and social impacts, thereby committing to sustainable development of the environment and society.

In compliance with the requirements under Appendix C2 – Environmental, Social and Governance Reporting Code (“**ESG Code**”) of the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) under the “Comply or Explain” provision, the Group is pleased to present its Environmental, Social and Governance (“**ESG**”) Report for the financial year from 1 January 2025 to 31 December 2025 (“**2025**” or “**the year under review**”) to demonstrate its ESG performance progress and management strategies.

### Reporting Boundary

Adopting the operational control approach, the ESG Report covers significant economic, environmental and social impacts associated with the Group’s operations under its operational control, as well as the sustainability management approach during the year under review. The coverage of the Group’s operations includes AEON Stores (Hong Kong) Co., Limited in Hong Kong, and Guangdong AEON Teem Company Limited and AEON South China Company Limited in Chinese Mainland.

### Reporting Principles

The ESG Report is prepared according to the following principles:

#### Materiality

Stakeholder engagement and materiality assessment are conducted to identify material ESG issues, allowing the Group to focus on ESG issues of concern. For further information, please refer to sections headed “Stakeholder Engagement” and “Materiality Assessment”.

#### Quantitative

To ensure meaningful comparison and evaluation across years, quantitative approach with Key Performance Indicators (“**KPIs**”) is adopted. Environmental KPIs are primarily measured in accordance with the “How to Prepare an Environmental, Social and Governance Report – Appendix 2: Guidance on Reporting Environmental KPIs”, whereas the statistical methodology for Social KPIs can be referred to in the footnotes of the respective performance tables. The environmental data disclosed in this ESG Report is mainly measured using the International System of Units (SI). Assumptions and conversion factors<sup>1</sup> used in calculating relevant emissions and other environmental data are also specified in the corresponding sections.

#### Balance

The ESG Report presents both achievement and room for improvement to provide an unbiased picture of the Group’s ESG performance.

<sup>1</sup> Conversion factors are calculation factors used to convert activity data into standardized environmental data (such as greenhouse gas emissions or energy consumption), such as emission factors, calorific value coefficients, or unit conversion ratios. Correlation coefficients are primarily referenced from publicly available information published by the Stock Exchange, international organizations, or industry guidelines.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Consistency

Consistent reporting framework and calculation methodology are applied. In case of any changes on the framework and methodologies, corresponding explanation will be provided.

## II. SUSTAINABILITY APPROACH

### **Our Vision**

“Create a future lifestyle that leads to a smile for each and every person.”

Through our various businesses related to daily life, we contribute to a future filled with smiles, promoting individual well-being and sustainable social development.

In a rapidly changing society, we continuously innovate and actively pursue peace, respect humans, and contribute to local communities. With the ultimate mission of realizing a future where our customers can feel a brighter society, all our businesses and activities are guided by AEON Foundational Ideals.

### **Our Philosophy**

#### Foundational Ideals

“Pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point.”

The Group firmly believes that retailing is an industry to promote peace, humanity, and local communities. To remain a thriving corporate group that fulfils this mission, we are committed to continuous innovation, with customers as our starting point.

#### AEON Sustainability Principle

In alignment with the AEON Principles, AEON Sustainability Principle has been established as the fundamental policy to ensure that all subsidiaries of the Group participate in programs and activities with environmental and social benefits, contributing to long-term sustainability. Together with our customers and diverse stakeholders, AEON Sustainability Principle aims to contribute to a more sustainable society. Upholding the following core principles in the environmental and social aspects, we will further refine and launch activities in accordance with the principles in a timely manner.

- Environmental Priorities:
  - o Achieving a decarbonized society
  - o Preservation of biodiversity
  - o Promotion of resource recycling
- Social Priorities:
  - o Creating products and stores environment that meet social expectations
  - o Engaging in fair business practices that respect human rights
  - o Collaborating with the community

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Corporate Governance

#### Basic Stance

- Value creation through customer orientation and frontline focus

At AEON, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, our point of contact with customers, and by always thinking with customers as the starting point.

- Respect for people, our most important management resource

By respecting employees, placing importance on diversity, and actively providing education opportunities in keeping with the conviction that people are the most important management resource, AEON aspires to be a company made up of employees who strive for self-growth, are linked by strong bonds, and find their greatest pleasure in contributing to customers.

- A posture of developing together with local communities

As a member of local communities and a caring corporate citizen, AEON seeks to develop together with our fellow community members, namely our customers, employees, shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.

- Sustained growth based on a long-term perspective and ceaseless innovation

To continue to meet the expectations of customers and local communities, AEON strives for sustained growth accompanied by value creation from a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.

- Pursuit of transparent and disciplined management

AEON strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.

#### Management Stance

- Business activities: Implementing AEON Foundational Ideals in daily operations, optimizing resource allocation, and creating value for customers and the community
- Financial and capital policies: Striving to improve profitability and capital efficiency, enhance corporate value, and promote long-term success
- Internal control and risk management: Ensuring operational compliance, timely response to risks, and increased transparency through risk management and internal control systems. Please refer to the “Corporate Governance Report” section for details
- Stakeholder communications: Valuing and respecting the opinions of shareholders, customers, and employees, and promoting constructive dialogue

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Employees and human resources: Respecting human rights, treating every employee fairly, and promoting a diverse work environment
- Environmental and social contributions: Implementing the AEON Sustainability Principle and making a positive impact on the environment and society

### *Governance Structure*

The Board of Directors (the “**Board**”) of the Group takes its ultimate responsibility for overseeing the Group’s ESG-related issues and reporting. To ensure the Board is kept informed of updates that may have a material impact on the Group’s business, as well as changes in ESG-related laws, regulations, and external developments, the Group maintains engagement with external experts from time to time. In addition, an internal task force, led by the General Manager of Administration Division of the Group, has been established to convene emergency meetings when necessary, report relevant matters to the Board, and discuss appropriate follow-up actions.

The Group has established ESG management approach and strategies, through which material ESG issues are identified via a materiality assessment. ESG strategies and management plans are developed for the identified issues and subsequently submitted to the Board for review and endorsement. To drive continuous improvement, the Group monitors its ESG performance and progress against ESG-related targets on an ongoing basis. The Group also publishes an annual ESG Report to enhance transparency in ESG-related disclosures.

To enable the Board to review and track upcoming ESG-related metrics and targets, the Group employs KPIs to assess ESG performance and evaluate progress against relevant targets. In addition, the Board receives regular updates from the internal task force on the Group’s ESG performance, enabling consistent oversight of progress.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### III. STAKEHOLDER ENGAGEMENT

The Group recognizes the importance of its stakeholders' opinions and insights in shaping its sustainability management approach and strategies. Therefore, the Group interacts with its stakeholders timely to understand their expectations and concerns, addressing their concerns while gathering feedback to improve its sustainable development.

Through regular stakeholder engagement, the Group obtains diverse views from various stakeholders and maintains stable relationships with its stakeholders. The expectations and concerns, as well as preferred communication channels of the Group's stakeholders were summarized as follows:

Stakeholders	Expectations and Concerns	Preferred Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Support local economic development</li> <li>Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Local laws and regulations</li> <li>Annual report and interim report</li> <li>Payment of taxes</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>Return on investments</li> <li>Corporate governance</li> <li>Transparency and integrity</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Written evaluations and feedback</li> <li>Online communication</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Compensation and benefits</li> <li>Occupational health and safety</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Questionnaires or online communication</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Safe and quality products/services</li> <li>Protection of consumer rights and interests</li> <li>Consumer privacy</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Customer service hotline</li> <li>Online feedback/inquiry forms</li> <li>WhatsApp</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair and open procurement</li> <li>Win-win cooperation</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Telephone discussions</li> </ul>
Community	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Involvement in communities</li> <li>Environmental protection</li> <li>Supply chain management</li> <li>Transparency of information</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Telephone discussions</li> <li>Written evaluations and feedback</li> <li>Surveys or online communication</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Materiality Assessment

As different stakeholders hold their own specific opinions due to their specific backgrounds, the Group identifies and prioritizes its material ESG issues based on their feedback to ensure comprehensive inclusions of broader perspectives. In 2025, the Group engaged with external consultants to invite representatives of its key stakeholders to participate in an online survey for the materiality assessment, ensuring the objectivity of the assessment.

To have proper management of ESG issues, the materiality assessment was conducted in a stepwise manner, including steps of identification, prioritization, and endorsement. The details of each step were outlined as below:

#### 1. Identification

A list of 18 fundamental sustainability topics was identified with reference to the internationally recognized reporting framework. These issues were recognized as bringing potential environmental and social impacts across the Group's operations.

1	Greenhouse Gas (“GHG”) Emissions	10	Responsible Supply Chain Management
2	Energy Management	11	Product/Service Quality and Safety
3	Water and Wastewater Management	12	Customer Privacy and Data Security
4	Solid Waste Stewardship	13	Participation in Philanthropy
5	Climate Change Mitigation and Adaptation	14	Cultivation of Local Employment
6	Renewable and Clean Energy	15	Support of Local Economic Development
7	Labor Practices	16	Business Ethics and Anti-corruption
8	Occupational Health and Safety	17	Internal Grievance Mechanism
9	Employee Development and Training	18	Risk Management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 2. Prioritization

The Group has internal and external stakeholders, including employees, suppliers, and customers. Representatives of its key stakeholders, who were selected based on their influence and degree of dependence on the Group, evaluated and rated the list of ESG topics through an online survey. Applying weightings to the ratings, material ESG issues were prioritized, identified, and mapped on the following materiality matrix to demonstrate their level of importance.

**Stakeholder Engagement Materiality Matrix**



According to the outcome of the materiality matrix, four ESG issues were identified as more material to the Group's operations, namely "10. Responsible Supply Chain Management", "11. Product/Service Quality and Safety", "16. Business Ethics and Anti-corruption", and "18. Risk Management".

### 3. Endorsement

The Board and the General Manager of Administration Division of the Group then reviewed and confirmed the outcome of the materiality assessment. The endorsement of the material ESG issues allows the Group to objectively identify the most relevant and significant ESG issues while focusing on the material ESG issues identified.

## IV. ENVIRONMENTAL

With the core principles of "achieving a decarbonized society," "preservation of biodiversity", "promotion of resource recycling" and addressing social priorities, the AEON Sustainability Principle aims to work together with our stakeholders to realize a sustainable society.

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Meanwhile, the Group actively maintains its environmental management system in order to implement relevant measures, conduct regular reviews, and promote continuous improvement.

To conserve the environment and ecosystems with its business growth, the Group remains steadfast in its commitment:

1. The Group will minimize its GHG emissions throughout its business activities in order to achieve a zero-carbon society.
2. The Group will promote eco-friendly activities and evaluate the benefits and impacts of its business activities on natural ecosystems.
3. The Group will implement resource conservation and recycling initiatives in order to sustainably consume resources.
4. The Group will comply with legal requirements and applicable standards related to the environmental aspect to prevent pollution.
5. The Group will establish stable partnerships with more stakeholders, including customers, and broaden the realm of initiatives.

This chapter primarily discloses the Group's policies, practices, and performance on emissions, use of resources, as well as the environment and natural resources during the year under review.

### A1. Emissions

In 2025, the Group established internal policies and procedures in compliance with relevant environmental laws and regulations, while staying updated with the latest rules. Relevant environmental standards, laws and regulations including but not limited to:

- Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong);
- Water Pollution Control Ordinance (Cap. 358, Laws of Hong Kong);
- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution;
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste;
- Law of the People's Republic of China on the Prevention and Control of Water Pollution; and
- Energy Conservation Law of the People's Republic of China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year under review, the Group's emissions primarily consisted of air emissions, and non-hazardous solid waste and wastewater. The Group strives to lower its GHG emissions and operate in a low-carbon manner. Initiatives on lowering the Group's energy consumption and waste reduction have been launched.

### Air Emissions

In 2025, the Group emitted air pollutants through the use of town gas and natural gas, including 0.11 kg of sulphur oxides ("**SO<sub>x</sub>**") (intensity<sup>2</sup>:  $1.47 \times 10^{-5}$  kg per HK\$ million), 20.43 kg of nitrogen oxides ("**NO<sub>x</sub>**"), (intensity<sup>2</sup>:  $2.62 \times 10^{-3}$  kg per HK\$ million) and 0.21 kg of particulate matter ("**PM**") (intensity<sup>2</sup>:  $2.68 \times 10^{-5}$  kg per HK\$ million). As this year marks the first time the Group has disclosed quantitative data on air pollutant emissions, the Group will continue to review and enhance the disclosure of exhaust emissions in the coming years.

### Solid Waste and Wastewater

Solid waste and wastewater generated from the Group's operations are properly managed prior to disposal to prevent environmental pollution. The solid waste generated by the Group is collected and handled by professional organizations, such as waste management companies, while wastewater is treated by certified third parties before discharge. In addition, recyclable waste is collected, sorted and recycled by qualified third parties.

Given the nature of its business, the non-hazardous solid waste generated by the Group mainly arises from the daily operations of its offices and stores, and the waste produced by the Group's stores rarely contains hazardous substances. In 2025, the Group generated a total of 14,966.19 tonnes of non-hazardous solid waste (intensity<sup>3</sup>: 1.92 tonnes per HK\$ million) and 1,050,589.00 m<sup>3</sup> of non-hazardous wastewater<sup>4</sup> (intensity<sup>3</sup>: 134.77 m<sup>3</sup> per HK\$ million), excluding food waste and waste oil. Hazardous waste data is currently available for selected subsidiaries within the Group. During the year under review, the Group generated 1.17 tonnes of hazardous waste (intensity<sup>3</sup>:  $1.51 \times 10^{-4}$  tonnes per HK\$ million), which mainly comprised replaced lighting fixtures, batteries and ink cartridges from stores. The Group will continue to enhance its data collection processes and, as internal data becomes more complete and conditions allow, may progressively expand the scope of hazardous waste disclosure in future reporting periods.

To promote waste reduction and the sustainable use of resources, the Group has organized various activities to enhance public awareness of efficient resource consumption. Specifically, the Group sorts and processes non-hazardous waste, recycles reusable materials, and participates in the Pilot Scheme on Food Waste Collection organized by the Environmental Protection Department ("**EPD**"). The Group has also joined food waste recycling services provided by shopping malls to collect food waste generated from its business operations and collaborates with designated resource recovery operators to recycle such food waste. The collected food waste is subsequently converted into new resources, including electricity and compost. In 2025, the Group generated and recycled approximately 2,998.58 tonnes of food waste<sup>5</sup>, while also generating and recycling 61.29 tonnes of waste oil, enabling waste cooking oil to be converted into biodiesel products.

<sup>2</sup> The intensity was calculated by dividing the amount of air emissions by the Group's revenue of approximately HK\$7.795 billion in 2025.

<sup>3</sup> The intensity was calculated by dividing the amount of waste generated by the Group's revenue of approximately HK\$7.795 billion in 2025.

<sup>4</sup> The total wastewater generated by the Group is primarily based on reasonable estimates. In areas where accurate wastewater volume recording is difficult, the Group assumes that 100% of freshwater consumption will enter the wastewater system.

<sup>5</sup> Food waste generation and recycling are primarily based on direct measurements in the operating areas in Chinese Mainland, and direct measurements and reasonable estimates in the operating areas in Hong Kong.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also partners with government departments to collect waste resources from customers, encouraging public participation in resource recycling to build a more sustainable community. For instance, the Group joined the Glass Container Recycling Charter, and the Reverse Vending Machine (RVM) Pilot Scheme of the EPD. During the year under review, around 2.57 million / 64 tonnes of plastic beverage containers<sup>6</sup> were recycled in 2025, helping reduce the amount of waste disposed of at landfills and avoid unnecessary emissions and pollutions.

### Emissions Targets

In 2025, the Group established new short-term targets for GHG emissions and the generation of non-hazardous waste, aiming to minimize the Group's overall emissions. The table below summarizes the Group's emission and waste targets and the corresponding actions:

Areas	Targets	Actions
GHG Emissions	Total GHG emissions in 2026 should be lower than the corresponding emissions in 2025.	The Group will continue to implement waste reduction, energy-saving, and water-saving measures, improve the efficiency of resource use, and organize activities to raise public environmental awareness.
Non-hazardous Solid Waste and Wastewater	The generation of non-hazardous solid waste and wastewater in 2026 should be lower than the corresponding levels in 2025.	The Group will continue to recycle used resources, food waste, and waste oil, while actively encouraging employees to adopt waste reduction and water-saving practices to minimize waste and wastewater generation.

During the year under review, the Group complied with relevant laws and regulations relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

### **A2. Use of Resources**

In 2025, the Group consumed resources of electricity, town gas, natural gas, water, and packaging materials. The Group is dedicated to resource conservation to lower its environmental impacts. Various measures to enhance energy efficiency and minimize resource consumption have been implemented.

### Energy

In 2025, the Group's total energy consumption<sup>7</sup> reached 159,851.26 '000 kWh (intensity<sup>8</sup>: 20.51 '000 kWh per HK\$ million), of which electricity consumption accounted for 158,475.04 '000 kWh (intensity<sup>8</sup>: 20.33 '000 kWh per HK\$ million), primarily used for air conditioning, lighting, freezers, and refrigerated cabinets. During year under review, the Group also consumed town gas and natural gas for cooking and boiling water, with consumption of 1,357.59 '000 kWh of town gas (intensity<sup>8</sup>: 0.17 '000 kWh per HK\$ million) and 1,720.00 m<sup>3</sup> of natural gas (intensity<sup>8</sup>: 0.22 m<sup>3</sup> per HK\$ million).

<sup>6</sup> Calculated based on an average weight of 25 grams per plastic beverage container.

<sup>7</sup> Energy conversion is based on the "How to Prepare an Environmental, Social and Governance Report – Appendix II: Reporting Guidelines for Key Environmental Performance Indicators" published by the Stock Exchange and the Energy Data Handbook published by the International Energy Agency.

<sup>8</sup> The intensity was calculated by dividing the amount of resources consumed by the Group's revenue of approximately HK\$7.795 billion in 2025.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce energy consumption and the associated GHG emissions, the Group is committed to strengthening its energy management. In terms of electricity savings, the Group has adopted more energy-efficient air-conditioning systems and lighting equipment, as well as freezers and refrigerated cabinets equipped with high-efficiency compressors and motors. The Group also prioritizes the use of closed-type freezers and has increased their proportion to minimize cold air loss, thereby saving energy. In addition, existing stores have progressively replaced traditional fluorescent tubes and T5 tubes with more energy-efficient LED tubes. Automatic sensor lighting systems have also been installed in both existing and new store warehouses to further reduce energy consumption and related Scope 2 GHG emissions. During the year under review, the Group has implemented full LED lighting in all new stores, further reducing energy use. Regarding town gas and natural gas savings, the Group continues to adopt electric cooking systems and kitchen equipment in new stores wherever feasible, aiming to reduce fuel combustion and the associated Scope 1 GHG emissions.

### Water

In 2025, the Group consumed 1,050,589.00 m<sup>3</sup> (intensity<sup>8</sup>: 134.77 m<sup>3</sup> per HK\$ million) of water for processing ingredients, cooking dishes, cleaning and disinfecting shops and kitchens. As the Group recognizes that water is a precious resource for its business operations and the ecosystems, the Group has spared no efforts in water conservation measures. In particular, the Group actively optimizes the design of its facilities and operational practices. Dripping taps are repaired immediately upon detection to improve water-use efficiency. In the meantime, the Group conducts water-saving awareness campaigns and educational activities to instill water conservation consciousness among employees. During the year under review, the Group did not face any issue in sourcing water that is fit for its purpose.

### Packaging Material

In 2025, the Group consumed 48,903.30 kg (intensity<sup>8</sup>: 6.27 kg per HK\$ million) of plastic-made packaging materials and 8,699.56 kg (intensity<sup>8</sup>: 1.12 kg per HK\$ million) of paper-made packaging materials for finished products and customer consumption. To minimize the consumption of plastic-made packaging materials, customers are highly encouraged to bring their own shopping bags to reduce the consumption of disposable shopping bags. Meanwhile, the Group has introduced bio-degradable shopping bags, as well as packaging and wrapping materials which are made of recyclable materials to lower the consumption of plastic-made packaging materials, avoiding plastic pollution in the environment.

### Targets on Resource Consumption

In 2025, the Group set new short-term targets on electricity and water consumption, striving to enhance consumption efficiency and minimize its overall resource consumption. The following table outlines the Group's targets on resource consumption and the corresponding actions.

Areas	Targets	Actions
Electricity Consumption	The electricity consumption in 2026 is expected to be lower than the corresponding consumption in 2025.	The Group will continue to optimize its energy management, gradually adopting more energy-efficient and high-performance electrical equipment to reduce electricity usage.
Water Consumption	The water consumption in 2026 is expected to be lower than the corresponding consumption in 2025.	The Group will continue to improve facility design and operational practices, while promoting water-saving measures among employees to collectively conserve water resources.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A3. The Environment and Natural Resources

Throughout its business operations, the Group consumes a wide range of natural resources, including timber, livestock, fishery, and agricultural products. With the offerings from nature, the Group can manufacture its products for sales and serve customers. However, emerging issues of climate change and global warming have brought significant negative impacts to the environment and ecosystems worldwide, affecting and threatening the stable supply of such natural resources.

Acknowledging the possible impacts brought by the intensification of climate change, the Group has proactively promoted sustainable resource consumption to preserve the environment. Initiatives on environmental protection and resource conservation include but not limited to:

- The Group aims to minimize the use of non-renewable resources;
- The Group promotes the reduction of electricity consumption in stores by various initiatives to reduce Scope 2 GHG emissions arising from electricity consumption;
- The Group prioritizes sustainable products, including sustainable fisheries, aquaculture products and agricultural products, during procurement; and
- The Group promotes its tree planting activities and environmental protection activities in its stores.

During the year under review, the Group's contributions to environmental protection were greatly recognized through a number of initiatives, including but not limited to:

- By participating in the "Eco Impact: E-waste and Carbon Reduction" activity organized by ALBA Integrated Waste Solutions (HK) Limited, the Group delivered relevant waste electrical and electronic equipment to the licensed recycling facility WEEE • PARK for proper treatment, recycling, and material recovery, helping to mitigate environmental issues such as land pollution. The recycled electronic waste successfully avoided 88,835 tCO<sub>2</sub>e of carbon emissions, thereby contributing to Hong Kong's goal of carbon neutrality by 2050;
- By participating in the EPD's Packaging Reduction Charter, the Group continued its commitment during the year under review to regularly review packaging designs to reduce unnecessary material use, enhance packaging recyclability and reusability, and adopt sustainable packaging materials, aiming to reduce waste generation and associated GHG emissions;
- The Group has been a member of the Hong Kong Green Shop Alliance since 2017. During the year under review, the Group continued to promote energy conservation, emission reduction, and green procurement as part of the six aspects of environmental management to build a greener shopping environment;
- During the year under review, the Group participated in the EPD's Pilot Scheme on Food Waste Collection, placing collection bins to gather food waste generated from operations, which was then recycled by designated resource recovery operators to convert waste into energy; and
- During the year under review, the Group participated in the EPD's Producer Responsibility Scheme on Glass Beverage Containers, committing to proper recycling and disposal of glass containers and promoting source separation and clean collection of glass containers.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### V. SOCIAL

#### Employment and Labor Practices

The Group values its human resources and regards the contributions and innovative efforts from AEON people as significant for its business development. As AEON people are the most valuable assets within the Group, it is believed that the Group will drive its business growth and success together with AEON people, brightening the future of local communities and society. Upholding the “Customer-First” philosophy, AEON people exhibit their utmost talents and competency with the core part of the AEON Principles always in mind.

#### B1. Employment

In 2025, the Group established internal policies, including the AEON Employee Handbook, to regulate employees’ conduct and work procedures. The Group also complies with employment-related standards, laws and regulations, including but not limited to the following:

- Employment Ordinance (Cap. 57, Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong);
- Disability Discrimination Ordinance (Cap. 487, Laws of Hong Kong);
- Sex Discrimination Ordinance (Cap. 480, Laws of Hong Kong);
- Race Discrimination Ordinance (Cap. 602, Laws of Hong Kong);
- Labour Contract Law of the People’s Republic of China;
- Labour Law of the People’s Republic of China;
- Employment Promotion Law of the People’s Republic of China;
- Social Insurance Law of the People’s Republic of China;
- Regulations on Labour Security Supervision of the People’s Republic of China; and
- Provisions of the State Council on Working Hours for Employees.

Being part of the AEON Principles, the Group places a great emphasis on respecting human dignity and valuing personal relationships. With the guidance of this principle, the Group has established and implemented its employment policies and labor practices focusing on the rights and interests of AEON people. These cover various human resources systems, including the job grading system, secondment and assignment management system, remuneration management system, performance appraisal management system, and attendance and leave management system. The Group has also established a rewards and disciplinary handbook that clearly defines misconduct and its consequences, while recognizing employees’ outstanding achievements.

In 2025, the Group provided its employees with a range of benefits. In addition to basic medical insurance and allowances, the Group awarded target bonuses in recognition of employees’ hard work and to motivate their performance in the coming year. Meanwhile, the Group provided festive vouchers and organized gift lucky draws for employees, enabling them to share the joy of festive celebrations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year under review, the Group complied with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

As of 31 December 2025, the Group had a total of 8,765 employees. The breakdown of the Group's total workforce is summarized as below.

Table 1. The Number of Employees by Gender, Employment Type, Age Group, and Geographical Regions of the Group in 2025 <sup>1</sup>

<b>Gender</b>				<b>Staff no.</b>
Male				2,206
Female				6,559
<b>Total</b>				<b>8,765</b>

<b>Employment Type</b>	<b>Staff no.</b>		<b>Total</b>
	<b>Male</b>	<b>Female</b>	
Full Time Executive	193	227	420
Full Time Supervisory	526	1,010	1,536
Full Time General	635	2,407	3,042
Part Time	852	2,915	3,767
<b>Total</b>	<b>2,206</b>	<b>6,559</b>	<b>8,765</b>

<b>Age Group</b>	<b>Staff no.</b>
<18	0
Between 18 to 35	2,997
Between 36 to 50	4,505
>50	1,263
<b>Total</b>	<b>8,765</b>

<b>Geographical Region</b>	<b>Staff no.</b>
Hong Kong	2,099
Chinese Mainland (other than Hong Kong)	6,666
<b>Total</b>	<b>8,765</b>

Note:

- The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group within the reporting scope. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2025, the Group's total turnover rate was 61.67%. The breakdown of the Group's turnover rate is summarized as below.

Table 2. Employee Turnover Rate by Gender, Age Group, and Geographical Regions of the Group in 2025 <sup>1</sup>

<b>Gender</b>	<b>%</b>
Male	71.85%
Female	58.24%
<b>Total</b>	<b>61.67%</b>

<b>Age Group</b>	<b>%</b>
<18	N/A <sup>2</sup>
Between 18 to 35	105.47%
Between 36 to 50	34.83%
>50	53.44%
<b>Total</b>	<b>61.67%</b>

<b>Geographical Region</b>	<b>%</b>
Hong Kong	63.03%
Chinese Mainland (other than Hong Kong)	61.24%
<b>Total</b>	<b>61.67%</b>

Note:

1. The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who left by the total number of employees as of the financial year end. The above data only covers the reporting scope. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange, which differs from previous measurement methods to improve the accuracy of data measurement and the quality of disclosure; and
2. Since there were no employees under the age of 18 at the end of the year under review, the employee turnover rate is not applicable to this category.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **B2. Health and Safety**

In 2025, the Group was in compliance with relevant standards, laws and regulations on health and safety, including but not limited to:

- Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong);
- Regulation on Work-Related Injury Insurance of the People's Republic of China;
- Work Safety Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Occupational Diseases; and
- Law of the People's Republic of China on the Protection of Women's Rights and Interests.

The Group regards the health and safety of its employees as a top priority. Therefore, it carries out maintenance of workplace facilities and equipment to prevent any occupational hazards and risks, thereby creating a comfortable and supportive working environment. To further safeguard employees' health and safety, the Group convenes store and office meetings, while managers and store managers reinforce safety awareness among all employees during morning briefings. Safety working guidelines are also displayed in work areas to remind employees to comply with safe operating procedures.

In the event of any occupational health and safety incident, the Group will report the matter to management in accordance with its internal guidelines and put forward recommendations to prevent the recurrence of similar incidents, thereby protecting employees from potential health hazards. To further strengthen employees' safety awareness, the Group will share reported health and safety incidents with employees as case studies and reminders. In 2025, the Group recorded no work-related fatalities in the past three years (including the year under review). Meanwhile, work-related injuries recorded by the Group in 2025 resulted in 2,772 lost working days.

To reduce health and safety risks, the Group provides training on general occupational health and safety measures to new employees. The Group also provides specific occupational health and safety training for experienced employees based on the skills required for different positions. Going forward, the Group will continue to enhance relevant safety guidelines in order to reduce the occurrence of work-related injuries.

During the year under review, the Group complied with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### **B3. Development and Training**

The Group believes that “Education is the greatest welfare.”. Alongside the provision of wages and benefits, the Group enriches the lives of its employees by offering an equal access to diverse training opportunities. A variety of training programs have been provided to employees to support their personal growth and career development. In 2025, the Group provided approximately 75,489.35 hours of training to 12,062 employees.

Over the years, the Group has provided the following training and staff development programs:

*i) AEON Fundamental Education*

This training program is provided to all newly hired AEON People. During the training, the AEON Foundational Ideals and values of the Group will be introduced to help employees understand the corporate culture and basic skills being AEON people.

*ii) Internal Certification Systems*

The Group offers a wide range of internal certification systems for employees in various positions, including but not limited to sushi master, meat master and fresh fish master.

*iii) Group Recruitment System*

The system allows employees to challenge themselves with new business department and the corresponding job position they are interested in, with no restriction to the region and subsidiary they are being recruited.

*iv) AEON CHINA Business School*

Through a range of courses, the AEON CHINA Business School disseminates the knowledge necessary for the jobs which employees are interested in. Training courses allow motivated employees to achieve self-actualization.

*v) AEON Foundational Ideals & AEON Group Future Vision Training*

In alignment with the AEON Foundational Ideals and the AEON Group Future Vision, the Group ensures that all employees participate in general training once a year, as well as the Future Vision Meeting quarterly. The annual training is provided to all AEON people, regardless of gender or employment category. All employees of the Group are mandated to attend the training.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 3. Number and Percentage of Employees Trained in the Group by Gender and Employment Type in 2025 <sup>1</sup>

Total Number of Employees	8,765
Total Number of Employees Trained	12,062 <sup>2</sup>
Total Percentage of Employees Trained	137.62% <sup>2</sup>

Gender	Number of Employees Trained	Share
Male	3,177	26.34%
Female	8,885	73.66%

Employment Type	Number of Employees Trained	Share
Full Time Executive	352	2.92%
Full Time Supervisory	1,527	12.66%
Full Time General	3,446	28.57%
Part Time	6,737	55.85%

Note:

- The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in 2025. The percentage of employees trained is derived from the number of trained employees as of the end of the year under review. The above data only covers the reporting scope. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange, which differs from previous measurement methods to improve the accuracy of data measurement and the quality of disclosure; and
- The Group's total number of trained employees includes the total number of employees as of the end of the year under review and the number of employees who left; therefore, the percentage of total trained employees is greater than 100%.

Table 4. Average Training Hours Received by the Employees of the Group by Gender and Employment Type in 2025 <sup>1</sup>

Gender	Total Hours	Average Hours
Male	20,825.40	6.56
Female	54,663.95	6.15

Employment Type	Total Hours	Average Hours
Full Time Executive	4,558.65	12.95
Full Time Supervisory	13,385.05	8.77
Full Time General	44,653.15	12.96
Part Time	12,892.50	1.91

Note:

- The training information was obtained from the Group's Human Resources Department. The above data only covers the reporting scope. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Apart from the provision of training programs to support employees, a system has been established to allow communications between employees and their supervisors. The meeting to be arranged twice a year provides a channel for employees to discuss and reflect their work performance and challenges, as well as future aspirations. Additionally, the Group conducts regular assessments on employees' individual work performance and career achievements to ensure ongoing improvement.

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### B4. Labour Standards

In 2025, the Group was in compliance with relevant standards, laws and regulations on labour standards, including but not limited to:

- Employment Ordinance (Cap. 57, Laws of Hong Kong);
- Labour Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China; and
- Provisions on the Prohibition of Using Child Labour.

Following the AEON Principles of respecting human dignity and valuing personal relationships, the Group has established internal rules and regulations as stipulated in the human resources policy. In compliance with basic principles of its human resources policy, the Group strictly prohibits child and forced labor. The Human Resources Department is responsible for implementing the human resources policy and reviewing the compliance of employment practices during the recruitment process.

In case of any violations of the internal rules and regulations regarding child and forced labor, the Group will take immediate actions to terminate relevant employment contracts, and employees involved will be subjected to disciplinary actions.

During the year under review, the Group complied with relevant laws and regulations relating to preventing child or forced labor that have a significant impact on the Group.

### Operating Practices

### B5. Supply Chain Management

Recognizing the critical role of its supply chain management for the overall business sustainability, the Group maintains stable partnerships with its merchandise suppliers to ensure a reliable delivery of safe food and other products, meeting the need of its customers. Guided by the AEON Principles, the Group fulfils its goal of "Customer Satisfaction" and has long-established strong relationships with its direct suppliers and agents to promote a dependable procurement process.

As of 31 December 2025, the number of suppliers by geographical region was summarized as below:

Geographical Region	No.
Hong Kong	1,101
Chinese Mainland (other than Hong Kong)	1,220
Other countries <sup>1</sup>	644
	2,965

Note:

1. Suppliers from other countries include, but are not limited to, Japan, South Korea, Taiwan, Vietnam, Thailand, Myanmar, Bangladesh, Indonesia and Singapore.

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The Group has established a set of internal policies and regulations governing the engagement of suppliers and has also set up a dedicated Buying Division responsible for reviewing the background and compliance of suppliers with the Group's relevant standards before entering into any collaboration, ensuring product safety. The Group places great importance on the supplier selection process and allocates resources to ensure that chosen suppliers can provide safe and high-quality products. In 2025, the Group's supplier management policies covered all merchandise suppliers it worked with.

To manage environmental and social risks across the supply chain, the Group arranges the Buying Division, Commercial Transaction Department, and Corporate Compliance Department to be responsible for regularly assessing supplier compliance and collecting product or raw material samples from suppliers for quality evaluation. This allows the Group to identify defective or safety-related products early and implement recalls to prevent impacts on customers. If any violations of applicable laws and regulations are detected, the Group will immediately terminate its cooperation with the relevant supplier to mitigate environmental and social risks in the supply chain.

The Group is committed to promoting sustainable development and actively encourages the use of environmentally friendly products when selecting suppliers. Through contractual terms and conditions, the Buying Division and Corporate Compliance Department require suppliers to implement sustainable practices, working together to protect the environment. In 2025, the Group's green procurement policy covered 1,236 merchandise suppliers. As more customers demonstrate environmental awareness and prioritize sustainable products, the Group has accordingly focused on suppliers that provide eco-friendly products or raw materials. Environmentally friendly products are sourced through the Group's private brands and procurement network to meet customer demand. At the same time, the Group continues to actively explore sustainable raw materials and packaging materials with the aim of reducing its overall environmental impact.

### **B6. Product Responsibility**

In 2025, the Group was in compliance with relevant standards, laws and regulations on product responsibility, including but not limited to:

- Consumer Council Ordinance (Cap. 216, Laws of Hong Kong);
- Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong);
- Copyright Ordinance (Cap. 528, Laws of Hong Kong);
- Trade Marks Ordinance (Cap. 559, Laws of Hong Kong);
- Patents Ordinance (Cap. 514, Laws of Hong Kong);
- Registered Designs Ordinance (Cap. 522, Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong)
- Product Quality Law of the People's Republic of China;
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests
- Personal Information Protection Law of the People's Republic of China; and
- Advertising Law of the People's Republic of China.

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### Quality Assurance

The Group, guided by the AEON Foundational Ideals, is committed to fully meeting customer needs and enhancing their shopping experience and product satisfaction. To ensure that the Group's products and services meet quality standards, the Group monitors, reviews and inspects product quality, while also collecting customer feedback on product quality to understand their satisfaction with relevant products and services and drive continuous improvement. In 2025, the Group conducted a customer satisfaction survey, achieving an overall average score of 97.0 out of 100. The survey covered various aspects of the Group's subsidiary stores, including facilities, shopping environment, product displays, checkouts, service counters, restrooms, as well as customer service in the food, household goods and apparel sections. All individual indicators scored above 90 points.

In addition, the Group conducts regular quality control checks, with external audits performed across different aspects of its subsidiary stores, including management of staff, facilities and equipment, sales and warehouses, raw materials, and food products. In 2025, stores in Hong Kong received an average score of 97.1 in external hygiene audits, achieving the highest rating of "Excellent", while stores in Chinese Mainland received an average score of approximately 89.2 in external audits.

Beyond maintaining product quality, the Group is also committed to product improvement and the development of new products. By collecting customer feedback, the Group further assesses product performance and analyses customer preferences and opinions, thereby driving processes for product enhancement and new product design.

### Recall Procedures

The Group assumes suppliers who sell their goods in its stores to take full responsibility for products' compliance with relevant laws and regulations on food and product safety, including but not limited to product safety, labelling and packaging.

In case there is any doubt on potential safety or credibility of products arising from relevant government departments, media, or suppliers, the Group will communicate with the supplier involved and resolve the issue promptly against the nature of concern. Upon notification of any suspected or confirmed case of problematic products that may pose a threat to customer safety, the product of concern will be removed from sales floor immediately.

If problematic goods were purchased or customers are not satisfied with purchased products of concern, refund or exchange for other similar products can be requested. In 2025, the percentage of total products sold subject to recalls for safety and health reasons was 0.000014%.

### Customer Complaints

Considering customer feedback as a valuable mean to understand customers' views and drive for ongoing product and service improvement, the Group has implemented omni-channel customer service across stores operating in Chinese Mainland to receive customer feedback both online and offline. Similarly, the Group regards customer complaints as an effective way to reflect its product and service quality.

To address customer complaints, the Group has established multiple complaint channels across its subsidiaries, including customer service hotline, online feedback/enquiry forms, and WhatsApp. These channels allow customers to provide feedback and offer the Group guidance for improvement. Once a complaint is verified, the Group promptly provides an appropriate resolution to meet customer needs.

In 2025, the Group received a total of 32,342 complaints related to products and services. For any products or services that failed to meet customer expectations, the Group expressed sincere apologies to the affected customers. After investigation and communication with the customers concerned, 59.66% of complaints were resolved without compensation, 35.79% were addressed through exchanges or refunds, and 4.55% were resolved through compensation or other means during the year under review.

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### Data Protection and Privacy

The Group considers the protection of consumer data to be a matter of significant impact and has therefore actively implemented measures, including managerial, technical and physical safeguards. These protections are designed to prevent accidental, unlawful or unauthorized destruction, loss, alteration, access, disclosure or use of data, reducing the risk of customer data breaches, ensuring data security, and safeguarding customer privacy.

The Group places particular emphasis on the Personal Data (Privacy) Ordinance, which is closely related to its retail operations. Accordingly, all employees with access to customer data are required to understand and be familiar with the rights and protections conferred to consumers under this legislation. Customer data is retained only for as long as reasonably necessary or as mandated by law, and relevant employees are required to securely destroy any data that exceeds the retention period in accordance with applicable legal requirements.

In addition, the Group has established a series of internal policies and procedures on consumer data protection and privacy, providing employees with guidance on handling customer data. Personnel are required to exercise due care and diligence in managing all personal data. The Group's Corporate Compliance Department regularly monitors the implementation of these policies, conducting annual audits, while the Accounts & Finance Department performs transaction verification, the Information Technology Department manages system maintenance, and the Store Supporting Department provides relevant regulations and guidance to departments and stores.

In 2025, the Group did not receive any complaints regarding customer data breaches or issues related to customer privacy.

### Intellectual Property Rights

The Group believes that it has the responsibility to safeguard intellectual property rights together with its employees. To prevent any violations of intellectual property rights, the Group ensures that appropriate authorization is obtained before the sales of products and the use or reproduction of materials. In case of any alleged infringement with evidence of illegal distribution or copying of relevant products or materials, the Group will immediately remove the alleged products from sales floor or disable the access to relevant materials.

### Advertising and Labelling

The Group has established internal policies setting out management requirements for advertising on social media, clearly defining the responsibilities of the Sales Planning Department and relevant management procedures. These include processes for the publication of promotional materials, as well as provisions to safeguard customer privacy.

In addition, the Group provides employees with guidance on advertising materials and product brand trademarks, including designated trademark templates and promotional material templates featuring the Group's trademarks, to ensure consistency in labelling. The Group has also established teams responsible for marketing and promotion, tasked with reviewing and approving advertising and labelling matters to ensure that all promotional materials and products comply with applicable laws and regulations.

During the year under review, the Group complied with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided that have a significant impact on the Group.

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### **B7. Anti-corruption**

In 2025, the Group was in compliance with relevant standards, laws and regulations on anti-corruption, including but not limited to:

- Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong);
- Anti-Corruption Law of the People's Republic of China;
- Anti-Money Laundering Law of the People's Republic of China;
- Article 274 of the Criminal Law of the People's Republic of China (on Extortion); and
- Interim Provisions on the Prohibition of Commercial Bribery.

With a great emphasis placed on business ethics and integrity, the Group has established and implemented internal policies and procedures on anti-corruption. The Group requires that all accounting records undergo rigorous third-party audits and are reported truthfully to shareholders. Employees are expected to prioritize the interests of customers and must not accept any benefits and entertainment from business partners. At the same time, all business partners are required to strictly comply with the Group's anti-corruption policies and practices and must sign a confirmation acknowledging their understanding of these policies.

To reinforce the principles of integrity among employees and business partners, the Group's anti-corruption policy manual is displayed in all public meeting areas, and posters on anti-corruption and whistleblowing are placed in prominent locations within stores. The Group also provides anti-corruption training to enhance employees' knowledge and collectively uphold business integrity. All employees participate in annual AEON Group Future Vision Training, which revisits anti-corruption knowledge and practices, while new employees are introduced to the Group's anti-corruption and whistleblowing policies and procedures during induction training. During the year under review, the Group provided a total of 2,518.50 hours of anti-corruption training to 4 directors and 11,654 general staff<sup>9</sup>.

In addition, the Group has established whistleblowing procedures to allow employees to report any suspicious incidents. If employees witness or become aware of any breaches, misconduct, or potential violations of the AEON Employee Handbook or other unethical behavior, they may report to the AEON Compliance Hotline or the Lawyer office report channel (used for reporting misconduct by general managers and management personnel or above). The identity of whistleblowers and the information reported are strictly confidential. All cases reported via the AEON Compliance Hotline are followed up by management and reported to the Audit Committee twice a year.

In 2025, there were zero concluded legal cases regarding corrupt practices brought against the Group or its employees.

During the year under review, the Group complied with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

<sup>9</sup> The number of employees participating in the Group's anti-corruption training include the total number of employees as of the end of the financial year and the number of employees who left during the year.

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### Community

#### **B8. Community Investment**

Apart from driving its business growth and success, the Group is committed to contributing to local communities. The Group enhances community economic conditions and the well-being of residents through its business operations, thereby giving back to the communities it serves. The Group also offers a variety of programs for youth to support their growth at each stage, ranging from primary school students up to university students.

The Group's focus areas of contribution include, but not limited to, environmental protection, caring for vulnerable groups in communities, and educational programs. Over the years, the Group has launched the following community contribution programs:

*i) AEON Happy Yellow Receipt Campaign*

AEON "Happy Yellow Receipt Campaign" serves as a bridge that connects customers with non-profit organizations. On the 11th of every month, customers will receive an extra receipt in yellow color (yellow receipt), with the total transaction printed, after purchasing in stores. Customers are invited to vote for the non-profit organizations that they would like to support by putting the yellow receipts into the corresponding boxes. The Group will subsequently donate resources valued at 1% of the total transaction amount in each box to the organizations by AEON to support their activities.

Beneficiaries of this program are charitable organizations serving the elderly, youngsters, disabled and underprivileged groups, as well as organizations promoting environmental conservation and animal protection. In 2025, the Group donated approximately HK\$ 1.65 million to a variety of beneficiary organizations, with a total time commitment of over 550 hours.

*ii) Country Parks Plantation Enrichment Program*

In support of the "Country Park Plantation Enrichment Program", the Group continuously promotes tree planting activities. In 2025, the Group sponsored approximately HK\$ 200,000 to the tree-planting activity at Tai Lam Country Park, during which more than 200 hours were spent planting 200 trees. The planting of native sapling species helps maintain the biodiversity of the country park while enhancing the ecological value the country park brings.

*iii) AEON Cheers Club and AEON Dream Social Camp*

AEON Cheers Club provides learning opportunities for primary and secondary school students, allowing them to gain hands-on experience during field visits to understand the importance of environmental protection. While the AEON Dream Social Camp offers children and young people vocational experiences in AEON stores, fostering a strong work ethic, social collaboration, and communication skills.

In 2025, the Group invested approximately HK\$ 53,200 and around 418 hours in organizing activities for the AEON Cheers Club and AEON Dream Social Camp.

*iv) AEON Scholarship Program*

AEON Scholarship Program provides financial support to the next generation of leaders—university students. In 2025, the Group donated approximately HK\$ 228,400 to universities in Hong Kong and Chinese Mainland, awarding scholarships to 80 students from various faculties in recognition of their outstanding academic achievements and to encourage their continued dedication to learning.

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### v) *AEON Volunteer Team*

AEON regularly organizes volunteer teams to carry out a variety of community contribution activities, including environmental protection, educational initiatives, and community services, benefiting people with diverse needs in society. In 2025, the Group contributed a total of over 590 hours to such activities.

### vi) *Food Donation*

The Group is committed to promoting food security and nutritional health by directly supporting low-income families through food donations. In 2025, the Group collaborated with charitable organizations to donate goods to the food banks they operate, with the total value of donated items amounting to approximately HK\$ 809,900.

During the year under review, the Group's total resources devoted to the community in 2025 amounted to HK\$ 3.07 million and 1,784.75 hours.

## VI. CLIMATE-RELATED DISCLOSURES

The Group recognizes that climate change is an increasingly pressing global issue and is therefore committed to collectively mitigating its impacts and addressing climate-related matters. As the effects of climate change become more pronounced and severe, the Group has developed strategies and plans for the identified climate-related issues, aiming to reduce the associated negative impacts while implementing mitigation measures to capitalize on potential climate-related opportunities. At present, the Group is exploring, in accordance with the Stock Exchange's ESG Code, how to gradually establish its climate management framework to enhance the Group's climate resilience.

### Governance

The Group's climate governance framework is broadly aligned with the ESG governance structure outlined in the "Governance Structure" section. Supported by the internal ESG Working Group, the Board assumes ultimate responsibility for overseeing the Group's climate-related matters. To ensure the Board possesses the appropriate skills and competencies, it periodically engages external advisors to obtain the latest information on climate-related issues.

The Group plans to incorporate a dedicated agenda on climate-related risks and opportunities into future annual Board meetings and to formulate corresponding strategies accordingly. By receiving reports from the ESG Working Group on climate-related risks and opportunities, and by reviewing the annual ESG report during the Board's annual meeting, the Board and the ESG Working Group will jointly oversee climate-related matters. In the event of an incident arising from a climate-related risk, the ESG Working Group will promptly report to the Board and convene a contingency meeting to discuss further response measures. In addition, the Board and ESG Working Group will review the environmental performance overview and data calculations presented in the annual ESG report. The ESG Working Group will also establish KPIs and other relevant metrics to track progress, assess the effectiveness of policies, and drive continuous performance improvement.

The Group also plans to establish a robust mechanism enabling the Board and ESG Working Group to monitor and track the Group's ESG performance and policy effectiveness, while the management is responsible for identifying ESG matters at the operational level and reporting to the Board. In addition to designing and implementing operational-level climate-related policies, management will coordinate and communicate across departments to ensure alignment and effective implementation of these policies.

Meanwhile, the Group will gradually implement internal climate-related policies, aimed at reducing the adverse impacts of climate change. To strengthen the governance effectiveness of the climate management system, the Group will also designate a dedicated working team responsible for reviewing, monitoring, and executing its internal policies.

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### Strategy

Through preliminary risk assessments, the Group has identified the climate-related risks it faces across its operations and value chain. To support strategy development and capital allocation planning, the Group categorizes these climate-related risks according to time horizon: short-term (3 years), medium-term (5 years), and long-term (10 years). An overview of the climate-related risks currently identified by the Group is as follows:

Risk	Potential Impact
<p><b>Acute</b> Short-term</p> <p><b>Physical Risk</b></p> <ul style="list-style-type: none"> <li>Increased severity of extreme weather events such as typhoons and floods</li> </ul>	<ul style="list-style-type: none"> <li>Interruption of utilities (such as electricity and water supply), affecting the continuity of operations at the Group's outlets</li> <li>Disruption to transportation services, resulting in unstable supply of raw materials and goods, and causing delays in product delivery</li> <li>Working under extreme weather conditions, which may pose risks to the health and safety of the Group's employees</li> </ul>

During the year under review, the Group has not identified any material climate-related opportunities. Going forward, the Group will conduct more in-depth analyses to identify climate-related opportunities and develop corresponding strategies to capitalize on potential market prospects.

Based on the identified climate-related physical risks, the Group estimates that disruptions to utilities supply and transportation services may directly affect the continued operations of its outlets, thereby reducing the corresponding revenue. In addition, extreme weather events may pose threats to the health and safety of employees and may also cause damage to facilities at retail outlets, warehouses and distribution centers, leading to an increase in operating costs. At present, the Group has not identified any material climate-related transition risks. Going forward, the Group will conduct further in-depth analysis of relevant risks and their potential impacts in order to strengthen its climate-related management.

At the current stage, the Group has not developed any transition plans. However, to address identified climate-related risks, the Group has adopted the management approach of risk mitigation and made corresponding deployments in strategy and resource allocation. Apart from integrating sustainability principles into its business operations, the Group plans to optimize budget allocation by increasing resource investment for climate-related risk mitigation. Through climate-related risk assessments, the Group identifies risk hotspots, implements adaptive and mitigation measures, and executes disaster contingency plans. Meanwhile, the Group will enhance the management of resource consumption and emissions and explore the adoption of energy-efficient appliances to improve energy efficiency, thereby reducing environmental impacts.

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### Financial Effect

During the year under review, certain assets of the Group were damaged as a result of extreme weather events, including retail outlets, warehouses and inventory products. The related repair expenses and product write-off costs amounted to approximately several hundred thousand Hong Kong dollars. In addition, the increasing frequency of extreme weather events has occasionally disrupted the Group's operations, resulting in a reduction in revenue of approximately HK\$ 50.43 million. At the same time, in response to climate-related risks, the Group has invested in energy- and water-saving equipment for new store openings and store renovations in order to enhance energy and water efficiency. During the year under review, the Group's operating expenditure on improving energy and water efficiency amounted to approximately HK\$ 2.47 million. Environmental equipment purchased included refrigeration units and LED lighting fixtures. Energy-saving upgrades were also carried out for the central air-conditioning system, while rapid-response insulated roller shutter doors were installed in the newly constructed cold storage facilities at the logistics center to strengthen insulation and reduce the loss of cooled air.

In addition, in order to adapt to the development of a low-carbon economy, the Company has continued to introduce environmentally friendly products, including items under its private brands such as TOPVALU GREEN EYE and SELF+SERVICE, to promote the concept of sustainable development. The TOPVALU GREEN EYE brand primarily offers products that are beneficial to both nature and human well-being, with the aim of contributing to a sustainable future. During the year under review, the total procurement value of products launched under this brand amounted to approximately HK\$ 3.36 million. As for SELF+SERVICE, it is an environmentally themed apparel brand that mainly sells clothing made from natural materials. For instance, garments in the Kapok series are produced using kapok fibers, the harvesting of which does not require the felling of trees. Meanwhile, the Re:Color series uses dyes extracted from discarded plants. In addition, promotional display boards for this brand are made from recycled pulp, and wooden hangers are used in retail outlets to display merchandise, with the aim of eliminating the use of plastic materials and reducing environmental impacts. During the year under review, the total procurement value of products launched under this brand amounted to approximately HK\$ 3.28 million. In the meantime, the Company gives priority to procuring products certified by the Forest Stewardship Council to ensure that timber- and paper-related products are sourced from responsibly managed forests, thereby reducing carbon emissions associated with illegal logging. During the year under review, the total procurement value of products made from certified timber and paper exceeded HK\$ 4 million.

Looking ahead, the Group expects that extreme weather events resulting from climate change may continue to cause physical damage to its assets in the short term. As such, the Group plans to introduce climate adaptation and mitigation measures in the near term. As the relevant measures are yet to be formulated and implemented, uncertainties remain and it is therefore difficult to estimate the associated operating costs at this stage. Meanwhile, the Group expects that additional expenditures may be required in the medium to long term in order to comply with evolving and increasingly stringent laws and regulations, to replace existing gas-powered kitchen equipment and cooking systems with electric-powered equipment and systems, and to introduce new products aligned with net-zero emissions objectives. At present, the Group does not have sufficient capacity or resources to estimate the expected cash flow impacts associated with these initiatives and has therefore not made related disclosures. Going forward, the Group will endeavor to enhance its climate management capabilities and allocate resources to climate-related matters, with a view to increasing transparency in the Group's climate-related disclosures.

### Scenario Analysis

To further understand the potential impacts arising from the identified climate-related risks, the Group conducted a qualitative climate-related scenario analysis during the year under review. The analysis adopted two publicly available climate scenarios, including Representative Concentration Pathway ("RCP") 8.5 and RCP 2.6.

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**RCP 8.5:** This scenario is referenced from the Intergovernmental Panel on Climate Change (“**IPCC**”) Fifth Assessment Report (“**AR5**”) and focuses primarily on physical risks. It is used to identify the Group’s medium-term climate-related risks and opportunities and to assess the Group’s resilience to climate-related changes, developments and uncertainties. This scenario represents a “worst-case” pathway, under which global temperatures are projected to increase by approximately 3.0°C to 5.1°C above pre-industrial levels by or before 2100. The scenario enables the Group to prepare for severe climate outcomes and to formulate corresponding plans and actions to address identified climate-related risks. The analysis covers the Group’s workforce and operational facilities in its operating regions in Hong Kong and Chinese Mainland. Under this scenario, the Group assumes that governments do not introduce new or more stringent climate-related policies or regulations, that no mitigation measures are implemented, and that global GHG emissions continue to increase.

**RCP 2.6:** This scenario is also referenced from the IPCC AR5 and focuses primarily on transition risks. It is aligned with the objectives of the Paris Agreement and is used to identify the Group’s long-term climate-related risks and opportunities, as well as to assess the Group’s resilience. This scenario represents a “best-case” pathway, aiming to limit the global temperature increase to well below 2°C above pre-industrial levels, and potentially below 1.5°C. It enables the Group to understand the potential impacts arising under a global transition towards active emissions reduction. The analysis covers the Group’s operational facilities and market trends in its operating regions in Hong Kong and Chinese Mainland. Under this scenario, the Group assumes that governments will tighten climate-related policies and regulations (including the implementation of carbon pricing), that proactive and effective mitigation measures will be adopted, and that global GHG emissions will gradually decline.

Based on the climate-related scenario analysis, the Group estimates that the extent to which its strategies, current actions and planned mitigation measures cover the assets and business activities exposed to climate-related risks remains limited. As such, the Group will consider allocating additional resources to mitigate and adapt to the identified climate-related risks. Meanwhile, the analysis also takes into account significant uncertainties, including policy shifts and future climate patterns. In order to adapt to potential adjustments to its future business model, the Group will consider providing training to employees to enhance their awareness of climate-related issues. In addition, the Group will appropriately adjust the allocation of financial resources in its budgeting process.

### Risk Management

When conducting risk assessments and climate-related scenario analyses, the Group primarily evaluates risks based on factors such as the likelihood of occurrence, reversibility, the potential operational and financial impacts on the Group, and the time required for recovery. Any risk that exceeds the Group’s risk tolerance will be classified as a material risk.

At present, the Group has not prioritized climate-related risks in relation to other types of risks. To establish such prioritization, the Group plans to conduct a materiality analysis in the future to assess the significance and potential consequences of climate-related risks. This process will also consider engagement with the Group’s internal and external stakeholders to understand their concerns and expectations regarding climate-related risks.

Currently, the Group has identified one material physical risk, which has not yet been systematically integrated into the Group’s overall risk management processes. Going forward, the Group will consider incorporating the identified climate-related risks into its risk management framework and integrating the monitoring and management of climate-related risks into its overall risk management processes. Meanwhile, the Group will optimize its analyses to identify potential climate-related opportunities.

In addition to identifying and assessing climate-related risks across its operations and value chain, the Group also tracks progress through the collection and analysis of data and metrics, and develops and implements risk mitigation strategies, thereby continuously monitoring and managing climate-related risks.

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### **Metrics and Targets**

The Group's key tracked and monitored metrics are GHG emissions, encompassing direct (Scope 1), energy indirect (Scope 2) and other indirect (Scope 3) emissions. In 2025, the Group's total GHG emissions amounted to 83,982.61 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), with an intensity<sup>10</sup> of 10.77 tCO<sub>2</sub>e per HK\$ million. In 2025, the Group's Scope 1 GHG emissions totaled 263.70 tCO<sub>2</sub>e (intensity<sup>10</sup>: 0.03 tCO<sub>2</sub>e per HK\$ million), primarily arising from gaseous fuel consumption in kitchen operations at retail outlets and production facilities. The main sources of Scope 2 emissions were purchased electricity and town gas, while Scope 3 emissions were generated from electricity consumption used by government departments for freshwater supply and wastewater treatment. In 2025, the Group's Scope 2 and Scope 3 GHG emissions amounted to 83,354.97 tCO<sub>2</sub>e (intensity<sup>10</sup>: 10.69 tCO<sub>2</sub>e per HK\$ million) and 363.94 tCO<sub>2</sub>e (intensity<sup>10</sup>: 0.05 tCO<sub>2</sub>e per HK\$ million), respectively.

During the year under review, Scope 2 GHG emissions constituted the largest proportion of the Group's total GHG emissions (99.25%), while Scope 1 and Scope 3 emissions accounted for 0.31% and 0.43% of the Group's total GHG emissions, respectively. The Group is committed to reducing its GHG emissions and has therefore implemented comprehensive energy management measures. In addition, the Group organizes green initiatives such as tree-planting activities to encourage public participation in emission reduction efforts. Measures relating to the reduction of waste generation, as well as the consumption of electricity, fuel and water resources, are described in detail in the sections headed "A1. Emissions" and "A2. Use of Resources", respectively.

In addition to referencing the "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the Group accounts its Scope 1 and Scope 2 GHG emissions in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard (2004) and the 2006 IPCC Guidelines for National GHG Inventories. These emissions are disclosed in this ESG report, ensuring that the reporting of GHG emissions follows an internationally recognized and structured methodology. As this year represents the Group's first year measuring Scope 1 and Scope 2 emissions in line with international standards, the Group currently lacks the additional resources and capacity to accurately measure Scope 3 emissions. Going forward, the Group will endeavor to improve the disclosure of Scope 3 emissions under a more standardized framework.

Currently, the Group has not adopted an internal carbon pricing mechanism or incorporated climate factors into its remuneration policies in its management approach to climate-related matters. Given that the Group's climate-related disclosures are still at an initial stage, limited resources have been primarily focused on identifying material risks and measuring GHG emissions. Consequently, the Group has not yet conducted a comprehensive analysis of the impacts across all indicators or developed corresponding strategies. In the future, the Group will conduct more in-depth analyses of climate-related matters using cross-industry indicators, including the value and percentage of assets or business activities susceptible to climate-related risks, as well as capital deployment.

This year also marks the Group's first year of setting targets for emissions and resource consumption. In its efforts to improve environmental performance, the Group has focused on controlling and reducing its emissions and resource consumption and has not yet allocated additional resources to establish other climate-related targets. No plans have been made to use carbon credits to offset GHG emissions. Going forward, the Group will continue to monitor climate change developments and, when sufficient resources are available, will consider establishing additional climate-related targets to further enhance its performance in addressing climate-related risks and opportunities. The relevant targets for emissions and resource consumption are presented in sections headed "A1. Emissions" and "A2. Use of Resources".

<sup>10</sup> The intensity was calculated by dividing the amount of GHG emissions by the Group's revenue of approximately HK\$ 7.795 billion in 2025.

## SENIOR MANAGEMENT PROFILE

### EXECUTIVE DIRECTORS

#### Mr. NAGASHIMA Takenori

Mr. Nagashima (aged 44) was appointed the Managing Director of the Company in March 2023. He joined the Company as the Administration General Manager in May 2019 and has become the Executive Director in charge of Administration and Corporate Finance of the Company in October 2019. He joined AEON Retail Co., Ltd. (“ARCL”) in September 2004. From 2011 to 2014, he was assigned to assume different positions related to various operations in AEON Co., Ltd. (“AEON Co”), the ultimate holding company of the Company. In September 2014, he was appointed as the Administration General Manager of AEON (Hubei) Co., Ltd., with responsibility of establishing its supporting team. Mr. Nagashima received his bachelor’s degree from the International Cultural Exchange School of Fudan University.

#### Mr. HISANAGA Shinya

Mr. Hisanaga (aged 52) was appointed as the General Manager of the Buying Division of the Company in March 2020 and Executive Director of the Company in May 2020. He joined ARCL in April 1997. Since then, he was assigned to assume different positions in various business divisions related to business planning and coordination in ARCL group companies. Before he joined the Company, he was an executive officer of Home Coordy Business Division in ARCL. He became a director of Sunday Co., Ltd. and AEON Bike Co., Ltd. in May 2016 and became a director of R.O.U Co., Ltd. in March 2015. Mr. Hisanaga received his bachelor’s degree in Commerce from the Hannan University.

### NON-EXECUTIVE DIRECTORS

#### Mr. GOTO Toshiya

Mr. Goto (aged 65) was appointed as Non-executive Director and the Chairman of the Board in April 2023 and March 2024 respectively. He is the executive officer of AEON Co in charge of China Business and the chairman of AEON (China) Co., Ltd. (“ACCL”). Mr. Goto joined ARCL in 1984. Since then, he was assigned to assume different positions in ARCL. He was appointed the president of Beijing AEON Co., Ltd. for the period from May 2011 to May 2013, and the president of Qingdao AEON Dongtai Co., Ltd. for the period from May 2013 to February 2015. He was appointed as the director and executive vice president of ARCL in charge of Product and Inner-Casual business in March 2019 and subsequently appointed the director and executive vice president of ARCL in charge of Product in March 2020.

#### Mr. INOHARA Hiroyuki

Mr. Inohara (aged 59) was appointed as Non-executive Director in March 2022. He is the vice-president in charge of GMS Business cum General Manager of Business Development and Construction Coordination Department of ACCL. Mr. Inohara joined ARCL in 1991. Since then, he was assigned to assume different positions in ARCL and in AEON Co. In 2011, he was appointed the general manager of business development of ACCL. In 2015, he was appointed the managing director of AEON South China Co., Ltd. (“ASC”), a subsidiary of the Company, and the managing director of both Guangdong AEON Teem Co., Ltd. (“GDA”), a subsidiary of the Company, and ASC from 2017. He was appointed the vice-president of ACCL since 2021 and is in charge of business development and construction. Mr. Inohara graduated from the Faculty of Economics, Doshisha University and also the Department of Knowledge Science Hokuriku Advanced Institute of Science and Technology with a master degree.

Mr. Inohara is also a chairman of AEON East China (Suzhou) Co., Ltd., Beijing AEON Co., Ltd., ASC and a director of ACCL, AEON (Hubei) Co., Ltd., GDA, Qingdao AEON Dongtai Co., Ltd. and AEON (Hunan) Co., Ltd..

## SENIOR MANAGEMENT PROFILE

### Mr. YOKOCHI Yasutoshi

Mr. Yokochi (aged 52) was appointed as Non-executive Director in May 2024. He has been the general manager of the Overseas Company Management Department of AEON Co since September 2021 and a director of AEON (Thailand) Co., Ltd. since May 2024. He joined ARCL in April 2001. From April 2001 to September 2021, he was assigned to assume different positions related to various operations in AEON Group of companies including AEON Co. (M) BHD and posting to United States of America. Mr. Yokochi has over 23 years of working experience in retail operation, finance, corporate management and business recovery.

Mr. Yokochi holds a master degree in Business Administration in Finance from International University of Japan.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. MIZUNO Hideto

Mr. Mizuno (aged 52) was appointed as Independent Non-executive Director in August 2018. He has been the vice chairman of Mizuno Sports Promotional Foundation, a non-profit organization, since June 2016. He was also the wholesale director of Timberland brand of VF Japan Corporation from June 2017 to February 2018. Before June 2017, Mr. Mizuno was an executive director of Mizuno Corporation, a company listed on the Tokyo Stock Exchange. During his over ten years' services in Mizuno Corporation, he was in charge of the Global Brand Development, New Business Development, National Accounts Sales and Nagoya Sales Branch Office. He was also the vice president of Mizuno USA in charge of Corporate Planning during the period from July 2005 to March 2009. Mr. Mizuno is currently an independent director of 17LIVE Group Limited, a company listed on The Singapore Exchange. He holds a master degree in Business Architect from the Kanazawa Institute of Technology Japan, a bachelor's degree in Chemistry from the Carthage College USA and a bachelor's degree in Economics from the Keio University Japan.

### Ms. SHUM Wing Ting

Ms. Shum (aged 37) was appointed as Independent Non-executive Director in December 2022. She is currently a practicing solicitor and civil celebrant of marriage in Hong Kong. She has experience in general legal practice with specialization in civil litigation and commercial law. Ms. Shum graduated from The Chinese University of Hong Kong with a bachelor degree in laws (LL.B.) in 2011 and completed her postgraduate certificate in laws in 2012. She also obtained her Master of laws Degree from the University of Hong Kong in 2019. Ms. Shum is currently a member of the Law Society of Hong Kong and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited and the Law Society of Hong Kong.

Ms. Shum was an assistant solicitor in LCP, Solicitors and Notaries from 1 January 2015 to 31 July 2024. She is currently a consultant of Chow & Chow Solicitors.

### Ms. WONG Mei Ling

Ms. Wong (aged 64) was appointed as Independent Non-executive Director in May 2025. She obtained a master degree of Finance of the Curtin University. She is a member of Hong Kong Institute of Certified Public Accountants and has over 30 years of experience in accounting field. Ms. Wong is an independent non-executive director of China New Energy Limited (stock code: 1156) (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She was also the chief financial officer of Sun Television Cybernetworks Enterprise Limited from July 2011 to January 2016, and the financial controller of Up Energy Development Group Limited (the shares of which were delisted from the Main Board of the Stock Exchange with effect from 5 January 2022) from September 2006 to July 2011.

## SENIOR MANAGEMENT PROFILE

### SENIOR MANAGEMENT

#### **Mr. MURAKAMI Masanori**

Mr. Murakami (aged 61) is the General Manager of Administration Division of the Company. He joined the Group in April 1987 and has accumulated over 30 years of experience in retail operations and corporate management. Since joining the Group, he has held various managerial positions covering store operations, regional management, and corporate leadership. In 2004, he was appointed Managing Director of AEON Taiwan, where he was fully responsible for the operation and development of the Group's business in Taiwan. Since 2008, he has successively served as Deputy Managing Director of AEON Mall (China) Investment Co., Ltd. and Managing Director of AEON Mall (Hubei) Business Management Co., Ltd., among other roles, gaining extensive management experience. Mr. Murakami received his bachelor's degree in Economics from SENSU University.

#### **Mr. LI Yat Ming**

Mr. Li (aged 60) is the Assistant General Manager of Corporate Restructuring of the Company. He joined the Company in May 1994. Since then, he was assigned to assume different management positions related to store operations in the Company.

## CORPORATE GOVERNANCE REPORT

Ever since its incorporation, AEON has remained customer-focused and has adhered to the conviction that unstinting contribution to customers and local communities and realization of employee happiness are the eternal mission of the retail industry.

The pace and degree of changes to the business environment will continue to increase. To respond to new customer and community expectations towards companies and the increased importance of responsibilities that companies are expected to fulfill, companies must not only pursue profits but also contribute more than ever to the realization of prosperity and a sense of well-being for communities as a whole from a long-term, sustained perspective as caring corporate citizens.

On the basis of this recognition, we have set forth our policy on Corporate Governance in order to create long-term sustainable growth of AEON for the benefits of its shareholders and deliver long-term values to all stakeholders.

The Board of Directors (the “Board”) of the Company is committed to maintaining high standard of corporate governance practices to promote the interests of the shareholders and enhance the shareholders’ value. The Board reviews the corporate governance practices and procedures regularly with reference to our long-term corporate governance goal and the latest development in corporate governance practices so as to ensure the Group is under the leadership of an effective Board and to meet interested parties’ expectation and relevant regulatory requirements.

The Company has adopted the code provisions contained in the Corporate Governance Code (the “Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied throughout the year ended 31 December 2025 with the code provisions of the Code in force during the year.

### BOARD OF DIRECTORS

#### Board Composition

As at the date of this annual report, the Board comprises a total of 8 Directors, being 2 Executive Directors, 3 Non-executive Directors and 3 Independent Non-executive Directors. The number of Independent Non-executive Directors represents one-third of the Board as required by Rule 3.10A of the Listing Rules. The list of the Directors and their biographies are set out on pages 39 to 41 of this annual report.

The Board members have no financial, business, family or other material/relevant relationship with each other.

In compliance with Rule 3.09D of the Listing Rules, Ms. Wong Mei Ling, who was elected as a Director at the annual general meeting held on 29 May 2025 and then designated as an Independent Non-executive Director on the same date, obtained the legal advice on 23 May 2025. She confirmed that she understood her obligations as a Director.

#### Role of the Board

The Board is responsible for the leadership and control of the Company, oversees the Group’s businesses, strategic decisions and performance, and reserves the key matters such as the declaration of interim dividend, recommendation of final dividend or other distributions for the approval of the Board. The Board has established Board Committees and has delegated to these Board Committees various authorities and responsibilities as set out in their respective terms of reference. The Board has also delegated the management functions and day-to-day operating responsibilities to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director (“MD”).

## CORPORATE GOVERNANCE REPORT

### Board Process

The Board has scheduled at least four regular meetings a year and meets as and when required. During the year, the Board held twelve regular meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. For all regular Board meetings held in the year, at least 14 days' notice was given to all Directors. All Board meetings were duly convened and held in the way prescribed by the Articles of Association of the Company. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors to enable them to make informed decisions.

Board and committee approvals are also given by circulation of resolutions in writing pursuant to the Articles of Association of the Company on urgent matters which require decision in a tight timeframe and hence convening a Board or committee meeting is difficult or not practicable. In the case where a resolution in writing is circulated, sufficient information and explanatory materials will also be provided to the Directors and the members of the relevant committees at the same time.

In addition to regular Board meetings, the Chairman of the Board met with the Independent Non-executive Directors without the presence of the other Executive and Non-executive Directors.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees respectively at the next meetings. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

All Directors including Independent Non-executive Directors are welcome to give input on all resolutions put forward to the Board and sufficient time will be allocated for discussions in Board meetings. The Board considered that such mechanism is effectively implemented throughout the year to enable independent view available to the Board.

The Directors are entitled, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

### Attendance at Board Meetings

Directors' attendance at Board meetings during the year are set out as follows:

	Directors	Number of attendance
<b>Executive Directors</b>	Takenori Nagashima ( <i>MD</i> )	12/12
	Shinya Hisanaga	12/12
<b>Non-executive Directors</b>	Toshiya Goto ( <i>Chairman</i> )	12/12
	Hiroyuki Inohara	11/12
	Yasutoshi Yokochi	12/12
	Kenji Fujita (Note 1)	4/4
<b>Independent Non-executive Directors</b>	Hideto Mizuno	12/12
	Shum Wing Ting	12/12
	Wong Mei Ling (Note 2)	8/8
	Chow Chi Tong (Note 1)	4/4

## CORPORATE GOVERNANCE REPORT

### Notes:

1. Mr. Kenji Fujita and Mr. Chow Chi Tong retired from the Board at the annual general meeting held on 29 May 2025 and there were four Board meetings held before their retirement.
2. Ms. Wong Mei Ling was appointed to the Board with effect from 29 May 2025 and there were eight Board meetings held after her appointment.

### Appointment and Re-election of Directors

The Company has not fixed the terms of appointment for all Directors but they are subject to retirement and being eligible, offer themselves for re-election at each annual general meeting of the Company.

The Board may at any time appoint any person as a Director either to fill a vacancy or as an addition to the existing Board. Newly appointed Directors hold office until the next following annual general meeting of the Company and are eligible for re-election.

The Company has adopted a nomination policy (the "Nomination Policy") setting out the key selection criteria and principles to be used by the Company in making recommendations on the appointment or re-appointment of Directors and succession planning for Directors to the Board to ensure that the Board has a balance of skill, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business.

### Attendance at General Meetings

The attendance of the Directors at the Annual General Meeting ("AGM") held on 29 May 2025 and Extraordinary General Meetings ("EGMs") held on 13 March 2025, 29 July 2025 and 11 December 2025 respectively is as follows:

	Directors	Number of attendance	
		AGM	EGM
<b>Executive Directors</b>	Takenori Nagashima ( <i>MD</i> )	1/1	3/3
	Shinya Hisanaga	1/1	3/3
<b>Non-executive Directors</b>	Toshiya Goto ( <i>Chairman</i> )	1/1	3/3
	Hiroyuki Inohara	1/1	3/3
	Yasutoshi Yokochi	1/1	3/3
	Kenji Fujita (Note 2)	1/1	1/1
<b>Independent Non-executive Directors</b>	Hideto Mizuno	1/1	3/3
	Shum Wing Ting	1/1	3/3
	Wong Mei Ling (Note 3)	N/A	2/2
	Chow Chi Tong (Note 2)	1/1	1/1

### Notes:

1. The Directors attended the AGM and the EGMs either in person or by video conference.
2. Mr. Kenji Fujita and Mr. Chow Chi Tong retired from the Board at the annual general meeting held on 29 May 2025 and there was one EGM held before their retirement.
3. Ms. Wong Mei Ling was appointed to the Board with effect from 29 May 2025 and there were two EGMs held after her appointment.

### Independence of Independent Non-executive Directors

The Company has received annual confirmations of independence from all Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers that all Independent Non-executive Directors are independent. The Nomination Committee has assessed the independence of all the Independent Non-executive Directors on an annual basis.

## CORPORATE GOVERNANCE REPORT

### Directors' Induction and Continuous Professional Development.

The newly appointed Directors were given an induction after their appointment so as to ensure that they had appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirement to ensure compliance and upkeep of good corporate governance practices.

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to submit a signed training record to the Company on annual basis.

The Company has also arranged in-house trainings for Directors in the form of seminar during the year. The participation of the Directors in the in-house training seminars and/or learning through reading materials on regulatory updates throughout the year according to the records provided by the Directors is as follows:

	Directors	Directors' participation in trainings
<b>Executive Directors</b>	Takenori Nagashima ( <i>MD</i> )	✓
	Shinya Hisanaga	✓
<b>Non-executive Directors</b>	Toshiya Gota ( <i>Chairman</i> )	✓
	Hiroyuki Inohara	✓
	Yasutoshi Yokochi	✓
	Kenji Fujita (Note)	N/A
<b>Independent Non-executive Directors</b>	Hideto Mizuno	✓
	Shum Wing Ting	✓
	Wong Mei Ling	✓
	Chow Chi Tong (Note)	N/A

Note: Mr. Kenji Fujita and Mr. Chow Chi Tong retired from the Board at the annual general meeting held on 29 May 2025.

### CHAIRMAN AND CHIEF EXECUTIVE

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Board considered that the duties of the MD were no different from that required of a chief executive stipulated under the code provision C.2.1 of the Code. The management considers that the term of MD has the same meaning as the chief executive of the Company.

The role of the Chairman of the Board is responsible for the leadership and effective running of the Board, and ensuring that all significant and key issues arising at board meetings are properly briefed and discussed and where required, resolved by the Board timely and constructively. The MD is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

#### Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. In assessing the Board's composition, the Nomination Committee takes into account various aspects set out in the Board Diversity Policy (as defined on page 53 of this report).

In the selection, appointment and re-appointment of Directors, the Nomination Committee considers, evaluates and selects the candidate(s) based on meritocracy and with reference to nomination criteria set out in the Nomination Policy, which include:

1. age, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
2. effect on the Board's composition and diversity;
3. commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments are considered;
4. potential/actual conflicts of interest that may arise if the candidate is selected;
5. independence of the candidate;
6. in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served the Company; and
7. other factors considered to be relevant by the Nomination Committee on a case-by-case basis.

The nomination procedures for selection, appointment and re-appointment of a Director are summarized as follows:

- (1) identify or select candidate(s) recommended to the Nomination Committee, with or without assistance from external agencies or the Company, pursuant to the nomination criteria set out in the above paragraph;
- (2) use any process it deems appropriate to evaluate the candidate(s), which may include personal interviews, background checks, presentations or written submissions by the candidate(s) and third party references;
- (3) hold meeting(s) to consider and approve the matter or make decisions by written resolutions;
- (4) provide to the Board with all the information required including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidate(s);
- (5) make recommendation to the Board including the terms and conditions of the appointment;
- (6) the Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee;

## CORPORATE GOVERNANCE REPORT

- (7) all appointments of directors should be confirmed by a letter of appointment or director service agreement setting out the key terms and conditions of the appointment of the directors; and
- (8) pursuant to Rule 13.74 of the Listing Rules, where shareholders are required to vote on electing or re-electing a director or directors, the circular accompanying the notice of the relevant general meeting should contain all the information of the candidate(s) required under Rule 13.51(2) of the Listing Rules.

During the year, the Nomination Committee reviewed and considered that the following key features or mechanisms under the Company's Board and governance structure are effective in ensuring that independent views and input are provided to the Board.

### Composition of the Board and Board Committees

The Board endeavours to ensure the appointment of at least three independent non-executive directors ("INED(s)") and at least one third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, INEDs will be appointed to other Board committees as far as practicable to ensure independent views are available.

### Independence Assessment

The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of INEDs.

Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

The Nomination Committee is mandated to assess annually the independence of all INEDs by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

### INEDs' tenure

The Company sets a maximum tenure of nine consecutive years for INEDs to be eligible for nomination by the Board to stand for re-election by shareholders.

### Compensation

No equity-based remuneration (e.g. share options or grants) with performance-related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence.

### Conflict management

INEDs (as other directors) shall not vote or be counted in the quorum on any Board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

## CORPORATE GOVERNANCE REPORT

Professional advice INEDs (as other directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings. They can also seek assistance from the Company's company secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

Review of mechanism implementation The Board shall, or may designate a Board committee to, make an annual review of the implementation and effectiveness of this policy.

The Nomination Committee's authorities and duties are set out in written terms of reference. The terms of reference of the Nomination Committee and the Board Diversity Policy (containing the measurable objectives on the Board diversity) are available on the websites of the Stock Exchange and the Company.

Members of the Nomination Committee and the attendance of each member during the year are set out as follows:

	Directors	Number of attendance
<b>Non-executive Director</b>	Toshiya Goto ( <i>Chairman</i> )	2/2
<b>Independent Non-executive Directors</b>	Hideto Mizuno	2/2
	Shum Wing Ting	2/2
	Wong Mei Ling (Note 1)	1/1
	Chow Chi Tong (Note 2)	1/1

Notes:

- Ms. Wong Mei Ling was appointed as a member of the Nomination Committee on 29 May 2025 and there was one Nomination Committee meeting held after her appointment.
- Mr. Chow Chi Tong ceased to be a member of the Nomination Committee on 29 May 2025 and there was one Nomination Committee meeting held before 29 May 2025.

During 2025, the Nomination Committee performed the following duties:

- reviewed the size, structure and composition of the Board;
- reviewed individuals suitably qualified to become members of the Board and Board committees based on merit and against objective criteria and with due regard for the benefits of diversity on the Board and select or make recommendations to the Board on the individuals nominated for directorship;
- reviewed and nominated qualified individual for re-appointment as the MD under Succession Planning;
- reviewed the time commitment of Directors for performing their responsibilities and their contribution to the Board diversity;
- assessed the independence of Independent Non-executive Directors;
- recommended the Board on the re-election of retiring Directors at the AGM for 2025, and appointment/re-appointment of Committee Chairmen and Committee members.

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. It also makes recommendations to the Board on the remuneration packages of all Directors and senior management. The Committee's authorities and duties are set out in written terms of reference. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Our remuneration policy aims to maintain an appropriate balance between business performance and long-term sustainable growth of the Group. In particular, no individual Board member or any of his or her associates should participate in deciding his or her own remuneration. The emolument of the Directors is determined by the Board with reference to the Remuneration Committee's recommendation, the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The model of the Remuneration Committee described in code provision E.1.2 (c)(ii) of the Code has been adopted by the Company.

Members of the Remuneration Committee and the attendance of each member during the year are set out as follows:

	Directors	Number of attendance
<b>Non-executive Director</b>	Toshiya Goto	2/2
<b>Independent Non-executive Directors</b>	Hideto Mizuno	2/2
	Shum Wing Ting ( <i>Chairlady</i> )	2/2
	Wong Mei Ling (Note 1)	1/1
	Chow Chi Tong (Note 2)	1/1

Notes:

- Ms. Wong Mei Ling was appointed as a member of the Remuneration Committee on 29 May 2025 and there was one Remuneration Committee meeting held after her appointment.
- Mr. Chow Chi Tong ceased to be a member of the Remuneration Committee on 29 May 2025 and there was one Remuneration Committee meeting held before 29 May 2025.

During 2025, the Remuneration Committee performed the following duties:

- reviewed the remuneration of all Directors (including the MD) and senior management and recommended the Board to approve their remuneration; and
- reviewed and made recommendations to the Board on the proposed remuneration of the retired Directors and the new Director.

Details of the remuneration paid to Directors and members of senior management by band for the year ended 31 December 2025 are disclosed in the notes 14 and 15 to the consolidated financial statements.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

The Audit Committee is responsible for ensuring the objectivity and credibility of the Group's financial reporting. The Committee's authority and duties are set out in written terms of reference. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee reviews the Group's financial statements, internal financial reports, risk management and internal control systems. The Audit Committee meets at least twice a year with management and external auditors and reviews their reports.

Members of the Audit Committee and the attendance of each member during the year are set out as follows:

	Directors	Number of attendance
<b>Non-executive Director</b>	Toshiya Goto	5/5
<b>Independent Non-executive Directors</b>	Hideto Mizuno	5/5
	Shum Wing Ting	4/5
	Wong Mei Ling ( <i>Chairlady</i> ) (Note 1)	4/4
	Chow Chi Tong ( <i>Chairman</i> ) (Note 2)	1/1

Notes:

- Ms. Wong Mei Ling was appointed as the Chairlady and a member of the Audit Committee on 29 May 2025 and there were four Audit Committee meetings held after her appointment.
- Mr. Chow Chi Tong ceased to be the Chairman and a member of the Audit Committee on 29 May 2025 and there was one Audit Committee meeting held before 29 May 2025.

During 2025, the Audit Committee performed the following duties:

- reviewed the audited financial statements for the year ended 31 December 2024 with a recommendation to the Board for approval;
- reviewed the unaudited financial statements for the six months ended 30 June 2025 with a recommendation to the Board for approval;
- reviewed the effectiveness of various reports (including whistle-blowing/helpline reports) on risk management and internal control systems covering financial, operational, procedural compliance and risk management functions;
- met the external auditors and reviewed their reports (including review of audit schedules, audit planning, management letters and management's response) to the committee in respect of the annual results and interim results of the Company;
- met the external auditors (without the presence of Executive Directors and management) to discuss issues arising from the audit of annual accounts and review of interim accounts;
- reviewed and approved the engagement and remuneration of the external auditors in respect of audit and non-audit services;
- reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions; and
- reviewed the Non-Assurance Services Pre-approval Policy.

## CORPORATE GOVERNANCE REPORT

All members of the Audit Committee possess in-depth experience in their own profession. At least one of the committee members possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm engaged by the Company during two years after he or she ceases to be a partner of the auditing firm.

### CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board has reviewed the corporate governance practices for the year under review and is satisfied with the effectiveness of the corporate governance practices, including the adequacy of the Group's resources, staff qualifications and experience, training programs and budget relating to its ESG performance and reporting.

### COMPANY SECRETARY

The Company's secretarial functions are outsourced to an external service provider. Mr. Takenori Nagashima, MD, was the primary corporate contact person at the Company with the external service provider during 2025.

According to Rule 3.29 of the Listing Rules, Mr. Chan Kwong Leung Eric, the Company Secretary, has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2025.

### DIRECTORS' SECURITIES TRANSACTIONS

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 existing Directors, the Company confirms that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2025.

### ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the year ended 31 December 2025, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The responsibilities of the Company's auditor, KPMG, are stated in the "Independent Auditor's Report" on pages 73 to 77 of this annual report.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and conducted interim and annual reviews of the effectiveness of such systems through the Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, procedural compliance, risk management and internal control functions.

The Group has adopted "Risk Control Self-Assessment Matrix" in terms of likelihood and impact with a view to assessing the level of risks faced by the Group. The line management identifies and prioritizes the risk, and top management reviews and assesses if the risks are addressed and prioritized with reference to the Group's objectives. The two tier management are put together to determine the Group's key risk areas.

The Risk Control Self-Assessment Matrix focuses on the following 10 categories of corporate risk factors:

- A. Transaction and Legal Matters
- B. Society and Economy
- C. Natural Disaster
- D. Politics
- E. Technology
- F. Business and Corporate Governance
  - F1. Finance
  - F2. Product and Service
  - F3. Employment
  - F4. Information Security
- G. Environment
- H. Health and Safety
- I. Facility and Equipment
- J. ESG

During the year, each of the Group companies has performed self-assessment of all risk areas presented in the "Risk Control Self-Assessment Matrix" with reference to the impact and likelihood of risks, the changes since the last annual review if any, to prioritize risks and identify key risk issues that require its further attention. Risk countermeasures had been set up for monitoring the identified key risk areas. The business units continuously manage and monitor the high priority risk areas of the Group. The assessment results were reviewed by the Audit Committee and the Board.

The Group's internal audit teams carried out internal audit functions of the Group to assess the risk, efficiency and effectiveness of the overall risk management and internal control systems. The Group's internal audit teams also regularly perform reviews of the business processes and activities of the internal control systems and report the review results to management and the Audit Committee twice a year. Each of the Group companies has allocated adequate resources, staff qualifications and experience in discharging the duties related to the Group's accounting, internal audit and financial reporting functions.

As part of the Group's internal control systems, Connected Party Transaction Panel has been set up to assist the Directors to review and monitor the existing and proposed connected transactions of the Group. Regular Panel meetings were held nearly every alternate week to review and monitor the existing and proposed connected transactions.

In relation to the handling of inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Executive Directors and the senior management team will hold meetings to discuss and ascertain whether the relevant information constitutes inside information of the Group and are responsible for the dissemination of those inside information, if any.

## CORPORATE GOVERNANCE REPORT

The Board has reviewed the effectiveness of the risk management and internal control systems and considered such systems are effective and adequate.

The Group has established (i) a whistleblowing policy and system and (ii) policies and procedures to promote and support anti-corruption, details of which can be found on page 32 of this annual report. Cases reported under the whistleblowing system will be timely dealt with by management who reports the results to the Audit Committee twice a year.

### AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

During the year under review, the remuneration paid and payable to the Company's auditor, KPMG, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services – annual audit	5,224
Non-audit services:	
Taxation services	914
Other services	444
	6,582

### DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board and believes that Board diversity is an important element to enhance the quality of its performance and maintain a sustainable development in long run. In this regard, the Board has adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity on the Board. Board diversity is achieved through consideration of a number of factors and measurable objectives as set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise, skills, knowledge and length of service. Given the nature and business objectives of the Company, the Board has a balance of skills, experience and diversity perspectives appropriate for the requirements of the business of the Company.

The Board has set out the measurable objectives on the Board diversity as its Diversity Policy which forms part of the terms of reference of the Nomination Committee. The list of measurable objectives is only an indication of factors relevant to the Nomination Committee's business and shall not be regarded as conclusive nor exhaustive in nature. Where appropriate, the Nomination Committee may take into account and/or further adopt and/or weigh against one another such factor(s) relevant to the business to be transacted.

1. Age : 18 or over
2. Gender : Welcome both genders with no preference for any particular proportion. Diversity is not considered to be achieved for a single gender board.
3. Professional qualification : At least one Independent Non-executive Director shall possess appropriate professional qualifications in finance and accounting and meet the requirements of Rule 3.10 of the Listing Rules.
4. Composition : One third of the Board or minimum three members shall be Independent Non-executive Directors to meet the requirements of Rules 3.10 & 3.10A of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

5. Service period : Independent Non-executive Directors' tenure (as at the date of re-appointment) could be relevant to the determination of a non-executive director's independence. Re-appointment of independent non-executive director serving more than 9 years should be in full compliance with the Listing Rules requirements.
6. Other experience : Knowledge and experience which may contribute to the business of the Company.
7. Any other relevant factors

The Company has complied throughout the year ended 31 December 2025 with the gender diversity requirement under the code provisions of the Code in force during the year and considered it has implemented the board diversity policy effectively in the year. The Company will identify or select candidate(s) recommended to the Nomination Committee, with or without assistance from external agencies, pursuant to the nomination criteria set out in the above paragraph as and when necessary.

The gender ratio in the workforce is provided in the Environmental, Social and Governance Report on pages 10 to 38 of this annual report and the list of the senior management is set out on pages 39 to 41 of this annual report. The Company has not set up any measurable objectives for achieving gender diversity across the workforce as it is less relevant to practicing its "Customer-First" philosophy.

### SHAREHOLDERS' RIGHTS

#### Convening a General Meeting by Shareholders

General meeting may be convened by the Directors on requisition of shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company pursuant to sections 566 to 568 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the requisitioner(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures set out in the Companies Ordinance for convening a general meeting.

#### Putting Forward Enquiries to the Board

Shareholders may send written enquiries to the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary  
AEON Stores (Hong Kong) Co., Limited  
Units 07-11, 26/F, CDW Building  
388 Castle Peak Road, Tsuen Wan  
New Territories, Hong Kong  
Email: cs@aeonstores.com.hk  
Tel: (852) 2565 3600  
Fax: (852) 2563 8654

## CORPORATE GOVERNANCE REPORT

### Putting Forward Proposals at the General Meetings

Pursuant to section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which requests relate; or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, may make requisition in writing for proposing a resolution or other business to be dealt with at the annual general meeting. Shareholders should follow the requirements and procedures as set out in section 615 of the Companies Ordinance for putting forward a proposal at an annual general meeting.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder shall follow the “Procedures for Nominating Directors for Election from Shareholders”, which can be found on the website of the Company.

### INVESTOR RELATIONS

#### Constitutional Documents

There is no significant change in the Company’s constitutional documents during the year ended 31 December 2025.

#### Shareholder Communication Policy

The Company has set up a Shareholder Communication Policy which is available on the website of the Company under the Corporate Governance section. Shareholders may also send enquiries to the Company as stated in the above paragraph headed “Putting Forward Enquiries to the Board”.

The Director in charge of Administration, leading an internal working group, reviewed the implementation of the policy from time to time and considered such policy is effective and adequate.

## DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025.

### PRINCIPAL ACTIVITIES

The Company and its subsidiaries are engaged in the operation of retail stores.

### BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 4 to 5 and in the Management Discussion and Analysis on pages 6 to 9 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 4 to 5 and in the Management Discussion and Analysis on pages 6 to 9 and in the Corporate Governance Report under the section headed "Risk Management and Internal Controls" on pages 52 to 53 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in notes 40 and 41 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 3 of this annual report, in the Management Discussion and Analysis on pages 6 to 9 and in notes 5 and 6 to the consolidated financial statements. In addition, discussions on the Group's environmental policies and performances, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report on pages 10 to 38 of this annual report.

### SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 are set out in note 43 to the consolidated financial statements.

### SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 December 2025.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 78 to 79 of this annual report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2025 (2024: Nil).

### FIXED ASSETS

Details of the movements in the property, plant and equipment, right-of-use assets and investment properties of the Group during the year ended 31 December 2025 are set out in note 18 to note 21 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2025 calculated under the provisions of the Hong Kong Companies Ordinance were nil (2024: Nil).

## DIRECTORS' REPORT

### EQUITY-LINKED AGREEMENTS

During the year, the Company did not enter into any equity-linked agreements.

### DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

#### Executive Directors

Mr. NAGASHIMA Takenori (*Managing Director*)

Mr. HISANAGA Shinya

#### Non-executive Directors

Mr. GOTO Toshiya (*Chairman*)

Mr. INOHARA Hiroyuki

Mr. YOKOCHI Yasutoshi

Mr. FUJITA Kenji

Retired on 29 May 2025

#### Independent Non-executive Directors

Mr. MIZUNO Hideto

Ms. SHUM Wing Ting

Ms. WONG Mei Ling

Mr. CHOW Chi Tong

Appointed on 29 May 2025

Retired on 29 May 2025

In accordance with Articles 88 and 104 of the Company's Articles of Association, all Directors shall retire from office at the forthcoming annual general meeting and offer themselves for re-election.

At the Board meeting held on 27 March 2026, the Board was notified by Mr. Toshiya Goto and Mr. Hiroyuki Inohara of their intention to retire as Directors with effect from the conclusion of the forthcoming annual general meeting. Accordingly, they will not offer themselves for re-election at that meeting.

Accordingly, all Directors (except Mr. Toshiya Goto and Mr. Hiroyuki Inohara) will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for the Directors is the period up to their retirement in accordance with the above Articles.

The directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report were:

Takenori NAGASHIMA, Shinya HISANAGA, CHEN Yin Feng, Hiroyuki INOHARA, SHI Qiu Hua, Minoru FUKADA, YANG Guo Dong, MA Jianhong, Kimihito IIDA, Masahiko KAKITSUBATA and Toshiya GOTO.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

### MANAGEMENT CONTRACTS

Save for Directors' service contracts and contracts of service with persons engaged in the full time employment of the Company, no contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

### DIRECTORS' INTERESTS IN SHARES

As at 31 December 2025, the interests of the Directors 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 ("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") set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### (A) The COMPANY

<b>Directors</b>	<b>Number of ordinary shares held as personal interests</b>	<b>Approximate percentage of interests</b>
NAGASHIMA Takenori	12,000	0.00462%
HISANAGA Shinya	30,000	0.01154%

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

<b>Directors</b>	<b>Number of shares held as personal interests (Note)</b>	<b>Approximate percentage of interests</b>
GOTO Toshiya	18,900	0.00072%
HISANAGA Shinya	6,390	0.00024%

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

Other than as disclosed above, at 31 December 2025, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares and debentures of the Company or any of its associated corporations (within the meaning of PART XV of the SFO).

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Related Party Transactions" as set out in note 39 to the consolidated financial statements and those connected transactions disclosed herein below, there were no other transactions, arrangements or contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a Director of the Company or its connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' REPORT

### DIRECTORS' INDEMNITIES

Pursuant to the Company's Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

### CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses the following continuing connected transactions and connected transaction incurred during the year. More details of each of the transaction reported could be referred to in the announcements related to each transaction.

#### (a) Continuing Connected Transactions

- (i) On 9 June 2010, the subsidiary of the Company, Guangdong AEON Teem Co., Ltd. ("GDA") and a related party of the Company, Guangdong Teem (Holdings) Limited ("Teem Holding") entered into the Supplemental Tenancy Agreement to extend the lease until 30 June 2025. The entering into of the Supplemental Tenancy Agreement constitutes continuing connected transactions of the Company. Pursuant to the Supplemental Tenancy Agreement, GDA pays rents, management fees, utility expenses and usage charges and other fees in relation to any provisional showrooms, storage areas, other facilities and special equipment that GDA may from time to time choose to rent or employ to Teem Holding and Guangdong Teem Properties Management Limited ("Teem Properties") respectively for the year. GDA was held as to 65% and 35% by the Company and Guangdong Teemall Department Stores Holdings Limited ("Teem Department Stores") respectively. The premises, i.e. GDA's Teem Plaza Store which is situated at Basement 1, Teem Plaza, 208 Tianhe Road, Guangzhou, being the subject of the tenancy agreement, is owned by Teem Holding. Teem Department Stores and Teem Properties are the wholly-owned subsidiaries of Teem Holding. On 24 June 2025, GDA and Teem Holding entered into a Tenancy Agreement to lease the premises, being Shop B113 and B114, Basement 1, (together with the warehouses in Basement 2 and Basement 3), Teem Plaza, 208 Tianhe Road, Guangzhou, for a term of eight years commencing from 1 July 2025 for the continuous operation of GDA's Teem Plaza Store. Pursuant to the Tenancy Agreement, GDA pays rents, management fees, utility expenses and usage charges and other fees in relation to any provisional showrooms, storage areas, other facilities and special equipment that GDA may from time to time choose to rent or employ to Teem Holding and Teem Properties. The total amount of rents, management fees, utility expenses and other charges paid and payable by GDA for the year was RMB30,292,025. This amount does not exceed the aggregated annual cap amount of RMB38,850,000 as shown in the announcements of the Company dated 9 June 2010 and 24 June 2025.
- (ii) On 11 July 2024, AEON Co., Ltd. ("ACL"), the controlling shareholder of the Company, and the Company entered into a renewal agreement to renew the Royalty Agreement for another three years expiring on 31 December 2025. The renewed Royalty Agreement was renewed on substantially the same terms as the Royalty Agreement that was entered on 30 September 2021 and expired on 31 December 2024. ACL is a connected person of the Company and the entering into the renewed Royalty Agreement constitute continuing connected transactions of the Company.

## DIRECTORS' REPORT

Pursuant to the Royalty Agreement, the Company and its Affiliates (through the Company) are granted:

- (a) an exclusive right to use the Hong Kong Trade Marks and the Macau Trade Marks in relation to the Business within the Territory;
- (b) a non-exclusive right to use the PRC Trade Marks in relation to the Business within the PRC; and
- (c) a non-exclusive right to use the Trade Marks in relation to the following businesses in the Territory and the PRC:
  - (i) the provision of retail services;
  - (ii) the operation of shopping centers; and
  - (iii) catering services, food-court with seating and restaurants.

Under the renewed Royalty Agreement, ACL shall disclose full particulars of the Know-How to the Company and grant the Company the non-exclusive right to use the Know-How in relation to the Business in the Territory and the PRC.

The Company shall pay to ACL a fee in respect of each financial year of the Company:

- (a) an amount representing 0.2% of the audited consolidated Total of Revenue of the Company and its Affiliates for that financial year; and
- (b) an amount representing 0.05% of the audited Total of Revenue of the Company and its Affiliates in respect of the Business in the Territory for the relevant financial year.

The total amount of fees payable by the Company for the year was HK\$20,763,553. This amount does not exceed the relevant cap amount of HK\$29,500,000 as shown in the announcement of the Company dated 11 July 2024.

Total of Revenue of the Company and its Affiliates is the aggregate of (i) the total amount of the consolidated direct sales; (ii) the total amount of the consolidated concessionaires sales; and (iii) the total amount of licensee fees and rentals received, all attributable to the rights to use the relevant Trade Marks. The total amount of the consolidated concessionaires sales represents the total amount of sales proceeds received by the respective concessionaires that are operating their business inside the respective store premises of the Company and its Affiliates. The "total amount of concessionaire sales" is different and is greater than the "income from concessionaire sales" as disclosed in note 5 to the consolidated financial statements, which is the income derived from the concessionaires' business operations.

- (iii) On 1 February 2023, the Company and AEON Credit Service (Asia) Company Limited ("ACS") entered into the Renewal Agreement to renew the Master Agreement, which expired on 14 April 2023, in respect of the Commission Payment Transactions for a further term of three years from 15 April 2023 to 14 April 2026. ACS and the Company are both subsidiaries of AEON Co., Ltd., a controlling shareholder of the Company, ACS is therefore a connected person of the Company.

## DIRECTORS' REPORT

The entering into of the Renewal Agreement constitutes continuing connected transactions of the Company. Pursuant to the Renewal Agreement, the Company shall pay commissions to ACS in respect of (1) credit purchase facilities made available to customers of the Company for making purchases at the Company's stores with the use of the various co-branded credit cards issued by ACS; (2) card instalment plan made available to customers of the Company for making purchases of goods and/or services at the Company's stores; (3) other payment solutions made and to be made available to customers of the Company for making purchases from time to time, including the usage of any kind of credit, debit, prepaid and/or stored value cards or other medium or facilities owned and/or operated by ACS; and (4) other related services provided to the Company or its customers which are derived from or ancillary to the transactions described above or arising out of the cards or other medium or facilities from time to time. The commissions are calculated on the basis of fixed percentages of the sales generated by the credit purchase facilities or the payment solutions provided by ACS, depending on the type of service provided. These commission rates (as may be revised from time to time) are and will be determined between the Company and ACS after arm's length negotiations, range from 0.42% to 3.2% of the relevant sales amount. In negotiating and agreeing the commission rates and other terms of the Commission Payment Transactions with ACS, the Company takes into account the prevailing market commission rates for similar types of transactions that are provided and/or made available by independent third parties to the Company and gives credit to ACS for any ancillary services provided and to be provided to the customers of the Company by ACS. Further, the Company has compared the fees charged by other independent third parties in the market for similar services to ensure that the price and terms offered by ACS are better than those offered by such third parties. The total amount of commissions paid by the Company for the year was HK\$10,418,548. This amount does not exceed the relevant aggregated cap amount of HK\$12,700,000 as shown in the announcement of the Company dated 1 February 2023.

- (iv) On 31 December 2024, the Company entered into a renewal agreement to renew the Master Services Agreement with 永旺永樂 (中國) 物業服務有限公司 ("AEON Delight") for another three years commenced on 1 January 2025 and expiring on 31 December 2027. This Master Services Agreement was entered into on substantially the same terms as the Previous Master Services Agreement that the Company entered into with 永旺永樂 (上海) 企業管理有限公司 ("AEON Delight (Shanghai)") on 30 June 2021 which expired on 31 December 2024. AEON Delight is the contracting party to the Master Services Agreement in place of AEON Delight (Shanghai) due to the restructuring of AEON Delight and its group members ("AEON Delight Group"). AEON Delight is a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company, the transactions under the Master Services Agreement constitute continuing connected transactions of the Company.

The Master Services Agreement sets out the framework for the continuing provision of the Services by the members of the AEON Delight Group. Services provided by AEON Delight Group to the Company Group including comprehensive building/facilities management, maintenance and cleaning services, management consultation, business services, research, development and production of computer hardware and software, data processing and such other services in relation to retail stores, offices and/or other facilities/establishments operated by the Company Group.

The Company Group from time to time requires the Services in its ordinary and usual course of business. The Company Group selects providers for such Services with reference to prevailing market conditions and where appropriate, based on a procurement process conducted at arm's length basis, and make their selection based on normal commercial considerations.

## DIRECTORS' REPORT

In relation to the procurement process, the relevant members of the Company Group may, in their sole and absolute discretion, invite the AEON Delight Group to tender to provide certain Services. If the AEON Delight Group is invited to tender, the relevant member of the Company Group will also invite quotations or tenders from at least two other independent third-party suppliers for such Services. The management of the relevant member of the Company Group will then compare the quotations offered by the respective bidders and conduct an assessment, taking into account factors such as their background and reputation, any existing business relationship with such bidders, the price, scope and quality of services offered by the bidders. After considering the abovementioned factors, the management of the relevant member of the Company Group will then decide on which bidder to engage and enter into a services contract with for the provision of Services. Where a member of the AEON Delight Group is selected through relevant procurement process to provide the Services, the Company and/or the relevant member of the Group and the relevant member of the AEON Delight Group may from time to time (and AEON Delight shall procure such member of the AEON Delight Group to) enter into separate contracts setting out the detailed terms under which the relevant member of the AEON Delight Group shall provide, or procure to be provided, the Services to the Company and/or the relevant member of the Group. Such terms shall be on normal commercial terms, on an arm's length basis and are on comparable terms to which the Company and/or the relevant member of the Group procures the Services from independent third parties.

The total aggregated amount of service fees paid and payable by the Company Group to AEON Delight Group in the year was RMB49,577,709. This amount does not exceed the cap amount of RMB85,700,000 as shown in the announcement of the Company dated 31 December 2024.

- (v) On 23 November 2015, the subsidiary of the Company, Guangdong Aeon Teem Co., Ltd. ("GDA") as lessee, and 永旺夢樂城 (廣東) 商業有限公司 ("AEON Mall") as lessor entered into the Tenancy Agreement, pursuant to which AEON Mall agreed to sub-lease the premises located at Units B1F0078, 1F1008 and 2F2028 Basement 1 and Basement 2, 1 Yayun Avenue, Dalong Street, Panyu, Guangzhou to GDA for a term of 20 years. AEON Mall is an indirect subsidiary of AEON Co., Ltd., the controlling shareholder of the Company, and therefore a connected person of the Company. Accordingly, the entering into of the Tenancy Agreement constitutes a continuing connected transaction of the Company. In accordance with the Tenancy Agreement, GDA pays rent, management fees, utility expenses and other fees in relation to any provisional showrooms, storage areas, other facilities and special equipment that GDA may from time to time rent or employ with the consent of AEON Mall. The total amount of rent, management fees, utility expenses and other fees paid and payable by GDA for the year was RMB30,322,306. This amount does not exceed the cap amount of RMB54,000,000 as shown in the announcement of the company dated 23 November 2015.
- (vi) On 19 February 2025, the Company and AEON Credit Service (Asia) Company Limited ("ACS") entered into a renewal agreement to renew the Master Agreement in relation to the sales of the Company's Gift Certificates to ACS for a term of three years from 1 March 2025 to 29 February 2028. The renewed Master Agreement was renewed on substantially the same terms as the Master Agreement that was entered on 22 February 2022 and expired on 28 February 2025. The Company and ACS are both subsidiaries of AEON Co., Ltd., a controlling shareholder of the Company, and ACS is therefore a connected person of the Company. The entering into the renewed Master Agreement constitutes continuing connected transactions of the Company. Pursuant to the renewed Master Agreement, the Company sells its Gift Certificates to ACS at face value less the applicable tier discount rate, ranging from 2% to 5%, and in accordance with the annual accumulated purchase amount in each contract year. The total amount of Gift Certificates sold by the Company to ACS in the year was HK\$19,925,750. This amount does not exceed the relevant cap amount of HK\$24,700,000 as shown in the announcement of the Company dated 19 February 2025.

## DIRECTORS' REPORT

- (vii) On 31 December 2024, each of the Company, its two subsidiaries being Guangdong AEON Teem Co., Ltd. ("GDA") and AEON South China Co., Ltd. ("ASC") and AEON (China) Co., Ltd. ("AEON China") entered into renewal agreements to renew the Consultancy Services Agreements for a period of three years from 1 January 2025 to 31 December 2027. The Previous Consultancy Services Agreements that were entered by each of the Company, GDA and ASC with AEON China on 4 October 2021 expired on 31 December 2024. AEON China is a subsidiary of AEON Co., Ltd. ("AEON Co"), the controlling shareholder of the Company, and AEON China is therefore a connected person of the Company. The entering into the renewed Consultancy Services Agreements constitutes continuing connected transactions of the Company.

Pursuant to the renewed Consultancy Services Agreements, AEON China is engaged to conduct research on and advise each of the Company, GDA and ASC on affairs in the local market in mainland China (and to the extents applicable to Hong Kong) like residents' lives, culture, trends, daily needs, retail consumption behaviour and other aspects.

AEON China provided consultancy services to seven AEON group companies, including the Company, GDA, ASC and four subsidiaries of AEON Co. AEON China's service fees are charged on a cost-plus basis, representing its total costs of providing consultancy services plus 3% of such costs. When AEON China also provides the consultancy services to other AEON group companies, the Recipient Companies' sharing ratio of AEON China's total costs shall be according to the number of companies actually participating in and receiving the same consultancy services in equal shares.

The service fee payable by (i) the Company and (ii) each of GDA and ASC is subject to an annual maximum fee of (i) 0.15% and (ii) 0.20% of its respective audited total sales amount (as defined in each Consultancy Services Agreements) for that financial year.

The total amount of Consultancy Services fees and training fees paid and payable by the Company, GDA and ASC to AEON China in the year was RMB12,148,998. This amount does not exceed the revised cap amount of RMB14,800,000 as shown in the announcement of the Company dated 9 July 2025.

- (viii) On 21 October 2022, the Company and AEON GLOBAL SCM Co., Ltd., ("AGSCM Japan") entered into a renewal agreement to renew the Master Services Agreement, pursuant to which AGSCM Japan and its subsidiaries ("AGSCM Group") will provide consultancy and logistics services ("Services") and the use of Warehouses to the Company and its subsidiaries ("Group"). The term of this Master Services Agreement shall be a period of three years from 1 December 2022 to 30 November 2025. On 18 November 2025, the Company and AGSCM Japan also entered into another renewal agreement to renew the Master Services Agreement from 1 December 2025 to 30 November 2028. AGSCM Japan is a connected person of the Company by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company and the entering into of the Master Services Agreement in respect of the Services other than the use of Warehouse constitutes a continuing connected transaction of the Company.

The Group selects providers for the Services with reference to prevailing market conditions and based on a procurement process conducted on arm's length basis, and makes their selection based on normal commercial considerations. In relation to the procurement process, the relevant member of the Group may, in their sole and absolute discretion, invite the AGSCM Japan Group to tender to provide certain Services. If the AGSCM Japan Group is invited to tender, the relevant member of the Group will also invite quotations or tenders from at least two other independent third-party suppliers for such Services. The management of the relevant member of the Group will then compare the quotations offered by the respective bidders and conduct an assessment, taking into account factors such as their background and reputation, any existing business relationship with such bidders, the price, scope and quality of services offered by the bidders. After considering the abovementioned factors, the management of the relevant member of the Group will then decide on which bidder to engage and enter into a service contract with the bidder for the provision of Services.

## DIRECTORS' REPORT

The transaction amount of the Master Services Agreement in the year was RMB44,692,408. This amount does not exceed the aggregated cap amount of RMB68,600,000 as shown in the announcements of the Company dated 21 October 2022 and 18 November 2025 respectively.

- (ix) On 25 July 2023, the Company and 永旺數字科技有限公司 (“ADMC”) (formerly known as AEON 信息系統集成 (杭州) 有限公司 (“AIBS”)) entered into the Renewed IT Master Agreement to renew the IT Master Agreement entered into between the Company and ADCMC on 31 July 2020 which expired on 29 August 2023. Pursuant to which ADCMC shall provide the Services (as defined in the announcement dated 23 July 2023) to the Company and any of its subsidiaries, each a “Member”. The term of the IT Master Agreement shall be a period of three years from 30 August 2023 to 29 August 2026. ADCMC is a connected person of the Company by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions under the Renewed IT Master Agreement constitute continuing connected transactions of the Company. Pursuant to the Renewed IT Master Agreement, the fees for the provision of Services by ADCMC shall be charged on a cost-plus basis, representing the Actual Costs plus a mark-up rate of not more than 10%. The prices offered by ADCMC shall be no less favourable than (i) prices available in the market for the same or similar services; and (ii) the prices offered by ADCMC to its other Users (i.e. parties, including the Members, who are using the services provided by ADCMC which are the same as or similar to the Services), if any. The total aggregated amount of service fees paid and payable by the Company Group to ADCMC in the year was RMB22,027,378. This amount does not exceed the aggregated cap amount of RMB41,000,000 as shown in the announcement of the Company dated 25 July 2023.
- (x) On 15 December 2023, Guangdong AEON Teem Stores Co., Ltd. (“GDA”), a subsidiary of the Company and 永旺夢樂城 (佛山南海) 商業管理有限公司 (“AMBM”) entered into the Master Agreements to govern certain transactions arising out of GDA's lease of the premises at 佛山市南海區大瀝鎮聯滘滘口路13號負一層店號0001, 一層店號1001, 二層店號2001, 三層店號3001. The previous Master Agreements were entered into by the parties on 15 December 2020 and expired on 18 December 2023. The term of the Master Agreement shall be a period of three years from 19 December 2023 to 18 December 2026. AMBM is a connected person of the Company by virtue of it being an indirect subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions under the Master Agreement constitute continuing connected transactions of the Company. GDA's leased premises are located in the Dali Mall and AMBM is the head tenant of the Dali Mall. AMBM, as head tenant, is responsible for making payment of utilities expenses and property management fees in respect of the entire Dali Mall. The amounts paid by GDA to AMBM pursuant to the Master Agreement represent GDA's proportionate contribution to such expenses and fees, which will then be paid by AMBM to relevant authorities or parties on behalf of GDA. The rates for utilities expenses and property management fees are no less favourable than those applicable to AMBM or its other tenants. The total aggregated amount of the fees paid and payable by the GDA to AMBM in the year was RMB5,079,633. This amount does not exceed the cap amount of RMB6,840,000 as shown in the announcement of the Company dated 15 December 2023.
- (xi) On 30 June 2021, the Company and AEON TopValu Co., Ltd. (“TopV”) entered into the renewal agreement to renew the Master Trademark Licence Agreement in respect of the granting of the licence to use the TopValu Trademarks and the related ancillary services to be provided by the TopV Group. The term of the Master Trademark Licence Agreement is for three years from 1 January 2022 to 31 December 2024. TopV is a connected person of the Company by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Trademark Licence Agreement constitute continuing connected transactions of the Company. Pursuant to the Master Trademark Licence Agreement, TopV agreed to (i) grant (and/or procure other members of the TopV Group to grant) to members of the Group the licence to use the TopValu Trademarks and (ii) provide (and/or procure other members of the TopV Group to provide) the ancillary services to the members of the Group. In consideration to the grant of the licence to use the TopValu Trademarks and the ancillary services, the relevant member of the Group shall pay to the relevant member of the TopV Group a licence fee equivalent to 7% of the amount of purchase costs of the TopV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Group.

## DIRECTORS' REPORT

The ancillary services that the TopV Group provides to the Group includes:

- (i) conduct market research, planning and development of products;
- (ii) establish product specifications;
- (iii) provide to members of the Group with information on product specifications, product cost and related expenses;
- (iv) manage production and conduct quality control on products;
- (v) provide information on promotion; and
- (vi) any other services in connection with the above.

On 31 December 2024, the Company and TopV entered into a Supplemental Master Trademark Licence Agreement as an interim measure for both parties to negotiate and finalize the terms and conditions of the renewal under the Master Trademark Licence Agreement. The Supplemental Master Trademark Licence Agreement extended the terms and conditions of the Master Trademark Licence Agreement from 1 January 2025 to 31 March 2025.

On 1 April 2025, the Company and TopV entered into a Master Licence Agreement and a Master Service Agreement both of which took effect from 1 March 2025 to 31 December 2027. The licence fee of 7% of the purchase cost of the TopV Products were reduced to a licence fee of 0.2% of the said purchase cost and a service fee of 3.0% of the said purchase cost, respectively in respect of the grant of licence and the ancillary services.

On 30 May 2025, the Company and ATV China, a subsidiary of TopV and thus also a connected person of the Company, entered into the ATV China Master Service Agreement which took effect from 1 June 2025 to 31 December 2027 for the ancillary services (of a modified scope of services as TopV). The service fee payable by the Company and the Company's subsidiaries to ATV China ranges from 3% to 6.8% depending on the product type.

The total aggregated amount of the fees paid and payable by the Group to TopV Group in the year was HK\$6,941,133. This amount does not exceed the Combined cap amount of HK\$14,200,000 as shown in the circular of the Company dated 14 July 2025.

- (xii) On 16 December 2021, Guangdong AEON Teem Stores Co., Ltd. ("GDA"), a subsidiary of the Company and 永旺夢樂城(廣州白雲)商業管理有限公司("AMBM") entered into the Master Agreement to govern certain transactions in respect of GDA's lease of the premises at Shop No.43, located in the 永旺夢樂城廣州金沙購物中心 in Jinshazhou, Baiyun District, Guangzhou ("Jinsha Mall"). The term of the Master Agreement is from 1 February 2022 to 31 January 2025. On 12 December 2024, GDA and AMBM entered into another Master Agreement for the term from 1 February 2025 to 31 January 2028 and substantially the same terms as the Master Agreement entered into on 16 December 2021. AMBM is a connected person of the Company by virtue of it being an indirect subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transaction of the Company.

## DIRECTORS' REPORT

AMBM has been appointed by the landlord of the Premises ("Landlord") as the property manager to manage the operation of the Jinsha Mall and shall pay the utilities expenses incurred in the Jinsha Mall to the utility suppliers on behalf of the Landlord and pay for expenses relating to facilities maintenance, repair and replacement and the property management. The amounts payable by GDA to AMBM pursuant to the Master Agreement represent GDA's proportionate contribution to such expenses, which will be subsequently paid by AMBM to the utility suppliers or relevant authorities or parties.

Utilities expenses incurred by GDA in the Premises, comprising water and electricity expenses, were determined with reference to the actual usage of GDA and local municipal standard rates for electricity charges and water charges.

Expenses incurred for the maintenance, repair and replacement of facilities used by both GDA and AMBM were borne by GDA and AMBM on pro rata basis. Expenses incurred for maintenance, repair and replacement of facilities exclusively used by GDA were fully borne by.

Monthly property management fees paid by GDA to AMBM covered among other things, (i) cleaning fees in respect of public areas within the Jinsha Mall; (ii) cleaning and maintenance fees in respect of public facilities within the Jinsha Mall; (iii) afforestation fees in respect of public areas within the Jinsha Mall; and (iv) fees for maintenance of safety and security in public areas and carpark of Jinsha Mall. A fixed rate of RMB10 (tax inclusive) per square metre of the Premises (and from 1 February 2025 at a fixed rate of RMB 7 (tax inclusive) per square metre of the Premises) was applied towards the calculation of the property management fees payable by GDA.

The total aggregated amount of the fees paid and payable by GDA to AMBM in the year was RMB3,521,698. This amount does not exceed the aggregated cap amount of RMB4,600,000 as shown in the announcements of the Company dated 16 December 2021 and 12 December 2024.

- (xiii) On 29 May 2025, the Company and AEON Credit Service (Asia) Company Limited ("ACS") entered into the Licence Agreement, pursuant to which the Company gives ACS the right to use the Shop No. L108 on 1/F ("Shop") of the Company's store premises located at the ground to fourth floors of Kornhill Plaza (South), 2 Kornhill Road Quarry Bay, Hong Kong ("Premises") for a fixed term of one year from 1 June 2025 to 31 May 2026 at the licence fees of HK\$259,477 per month exclusive of government rates and management fees. The previous Licence Agreement entered between the Company and ACS on 31 May 2024 expired on 31 May 2025. ACS and the Company are both subsidiaries of AEON Co., Ltd., the controlling shareholder of the Company. ACS is therefore a connected person of the Company and the transactions contemplated under the Licence Agreement constitute continuing connected transactions of the Company.

The Company has entered into a lease agreement with a landlord, which is an independent third party, to lease the Premises (in which the Shop is located) and has been given the express right to grant licences to licensees for the use of portions of the Premises including the Shop. ACS is the card issuer of the Company's co-brand credit cards. The licence granted under the Licence Agreement is mainly for ACS's purpose of operating its service counters inside Company's store in the Premises, which provide supporting services to the co-brand cardholders.

During the term of the licence, ACS shall pay to the Company:

- (i) a licence fees of HK\$259,477 per month;
- (ii) the rates assessed or charged on the Shop by the Hong Kong government;

## DIRECTORS' REPORT

- (iii) all charges for utilities in respect of the Shop;
- (iv) a monthly management fees of HK\$12,405 or such other increased rate as the Company shall from time to time decide; and
- (v) a deposit of HK\$518,954.

The licence fees and management fees were negotiated by the parties at arm's length and by reference to (i) the license fees and management fees which the Company charges to its other licensees; (ii) the business nature of ACS and other licensees; and (iii) the location of the Shop within the Premises.

The total aggregated amount of the licence fees, management fees, government rates and utilities charges paid and payable by ACS to the Company in the year was HKD3,397,475. This amount does not exceed the aggregated relevant cap amount of HKD3,750,000 as shown in the relevant announcements of the Company dated 31 May 2024 and 29 May 2025 respectively.

- (xiv) On 17 August 2020, 永旺夢樂城 (廣州增城) 商業管理有限公司 ("AEON Mall") as lessor and Guangdong AEON Teem Stores Co., Ltd. ("GDA"), a subsidiary of the Company, as lessee entered into the Tenancy Agreement, pursuant to which AEON Mall agreed to sub-lease the premises located at 中國廣東省廣州市增城區永寧街香山大道2號, 現暫定名稱為永旺夢樂城廣州增城購物中心1層, 自編1000房號 ("Premises") to GDA for a term of twenty years from tentatively 31 October 2020, subject to completion of construction work and fulfilment of handover conditions as agreed by the parties in the Tenancy Agreement. AEON Mall is a connected person of the Company by virtue of it being an indirect subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the entering into of the Tenancy Agreement constitutes a continuing connected transaction of the Company.

Pursuant to the Tenancy Agreement, GDA shall pay to AEON Mall the following:

- (a) rent (inclusive of VAT) calculated according to the rates ranged from 1.8% to 3.5% of GDA's direct sales turnover for respective months (after expiry of rent-free period). The rent payable under the Tenancy Agreement has been determined with reference to the prevailing market price for comparable premises in the area at the relevant time;
- (b) management fee in respect of the Premises at a fixed rate of RMB10 per square metre which, subject to mutual consent, may be reviewed every three years during the term of the Tenancy Agreement;
- (c) utilities expenses (including water, electricity and air conditioning) based on its actual usage; and
- (d) such other rent, usage charges and fees in relation to any provisional showrooms, storage areas, services, other facilities and special equipment that GDA may from time to time rent or employ with the consent of AEON Mall (on the basis of actual usage).

The terms of the Tenancy Agreement are arrived at after arm's length negotiations between AEON Mall and GDA.

The total aggregated amount of the rent, management fees, utilities expenses and other fees paid by GDA to AEON Mall in the year was RMB5,648,741. This amount does not exceed the Revised cap amount of RMB7,300,000 as shown in the announcement of the Company dated 22 October 2021.

## DIRECTORS' REPORT

- (xv) On 11 July 2024, the Company and AEON Credit Service (Asia) Company Limited ("ACS") entered into the Card Acquiring Merchant Agreement in respect of the card acquiring services provided by ACS to the Company for a term of three years from 16 August 2024 to 15 August 2027. The previous Card Acquiring Merchant Agreement entered into between the Company and ACS on 30 June 2021 expired on 15 August 2024. ACS and the Company are both subsidiaries of AEON Co., Ltd., a controlling shareholder of the Company, ACS is therefore a connected person of the Company. The entering into the Card Acquiring Merchant Agreement constitutes continuing connected transactions of the Company.

Pursuant to the Card Acquiring Merchant Agreement, the Company shall pay Merchant Discount Amount to ACS in respect of each completed Transaction using a Card issued by entities other than ACS. Merchant Discount Amount represents applicable discount rates, ranging from 0.98% to 1.90%, multiplied by the Transaction amount payable to the Company for the relevant Transaction.

The Company invited four service providers, including ACS, the existing independent service provider and two other service providers which are parties independent of the Company and its connected persons, to submit tender for the said card acquiring services and ACS offered the Lowest Fee Rate.

The total amount of Merchant Discount Amount paid by the Company in the year was HK\$11,931,028. This amount does not exceed the relevant cap amount of HK\$17,800,000 as shown in the announcement of the Company dated 11 July 2024.

- (xvi) On 28 February 2025, the Company and AEON Credit Service (Asia) Company Limited ("ACS") entered into the Licence Agreement, pursuant to which the Company gives ACS the right to use the Shop No. G04 on G/F ("Shop") of the Company's store premises located at the Shop Nos. G081-G112 on Ground Floor, Shop Nos. UG082-UG120 on the Upper Ground Floor and Shop Nos. 1301-1350 on First Floor of Commercial Accommodation of Tuen Mun Town Plaza, Phase I, 1 Tuen Shing Street, Tuen Mun, New Territories, Hong Kong ("Premises") for a fixed term of one year from 28 February 2025 to 27 February 2026 at the licence fees of HK\$295,983 per month exclusive of government rates and management fees. The previous Licence Agreement entered between the Company and ACS on 28 February 2024 in respect of the Shop expired on 27 February 2025. ACS and the Company are both subsidiaries of AEON Co., Ltd., the controlling shareholder of the Company. ACS is therefore a connected person of the Company and the transactions contemplated under the Licence Agreement constitute continuing connected transactions of the Company.

The Company has entered into a lease agreement with a landlord, which is an independent third party, to lease the Premises (in which the Shop is located) and has been given the express right to grant licences to licensees for the use of portions of the Premises including the Shop. ACS is the card issuer of the Company's co-brand credit cards. The licence granted under the Licence Agreement is mainly for ACS's purpose of operating its service counters inside Company's store in the Premises, which provide supporting services to the co-brand cardholders.

During the term of the licence, ACS shall pay to the Company:

- (i) a licence fees of HK\$295,983 per month;
- (ii) the rates assessed or charged on the Shop by the Hong Kong government;
- (iii) all charges for utilities in respect of the Shop;
- (iv) a monthly management fees of HK\$13,710 or such other increased rate as the Company shall from time to time decide; and
- (v) a deposit of HK\$591,966.

## DIRECTORS' REPORT

The licence fees and management fees were negotiated by the parties at arm's length and by reference to (i) the license fees and management fees which the Company charges to its other licensees; (ii) the business nature of ACS and other licensees; and (iii) the location of the Shop within the Premises.

The total aggregated amount of the licence fees, management fees, government rates, utilities charges and other fees paid and payable by ACS to the Company in the year was HKD3,880,510. This amount does not exceed the aggregated relevant cap amount of HKD4,720,000 as shown in the announcements of the Company dated 28 February 2024 and 28 February 2025.

- (xvii) On 17 April 2023, the Company and AEON Global Merchandising Company Limited ("AGMd") entered into the Master Agreement, pursuant to which the Company purchases from AGMd merchandise of various popular brands which are made widely available in the market by the respective brand owners who are third parties independent of AEON Co., Ltd. ("NB Merchandise") for a term of 3 years from 17 April 2023 to 16 April 2026. AGMd is connected person by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company.

Pursuant to the Master Agreement, the Company may purchase a variety of the NB Merchandise in respect of which AGMd will charge at a price being the Actual Costs plus a mark-up rate of 3% of the Actual Costs. The total price shall be inclusive of the merchandise costs, agency fee, provision of the product information, administration fee, sample fee, system registration fee and all other services incidental to the sale of the NB Merchandise by AGMd. The prices offered by AGMd shall be no less favourable than (i) the prices available in the market for the same or similar merchandises and (ii) the prices offered by AGMd to its other purchaser(s), if any, save and except certain differences in prices arising out of the difference in the relative location and the actual freight costs applicable to a purchasing party. There is no other fees payable by the Company in respect of the deliveries of the NB Merchandise to the Company's warehouse in Japan.

The total aggregated amount of the purchase prices paid by the Company to AGMd in the year was HK\$14,321,831. This amount does not exceed the cap amount of HK\$26,400,000 as shown in announcements of the Company dated 17 April 2023 and 29 November 2023.

- (xviii) On 31 December 2024, the Company and TopV entered into the Master ATV Purchase Agreement in respect of the Company's purchases from TopV of the TopV Products. The pricing policy for the price is fixed at the actual costs plus a mark up rate of 3% of the actual costs of the TopV Products. The term of the Master ATV Purchase Agreement is from 1 January 2025 to 31 December 2027. TopV is a connected person of the Company by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master ATV Purchase Agreement constitute continuing connected transactions of the Company.

The total aggregated amount of the purchase prices paid by the Company to TopV in the year was HK\$15,026,825. This amount does not exceed the cap amount of HK\$15,600,000 as shown in announcements of the Company dated 31 December 2024 and 18 November 2025.

During the year, the above continuing connected transactions were carried out within their respective applicable annual caps for the year. The Independent Non-Executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; (iii) in accordance with each of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## DIRECTORS' REPORT

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules.

### (b) Connected Transaction

- (i) On 28 July 2025, the Company and AEON Financial Service (Hong Kong) Co., Limited ("AFS") entered into the Sale and Purchase Agreement, pursuant to which the Company agrees to sell and AFS agrees to purchase 1,346,000 shares of AEON Credit Service (Asia) Co., Ltd. ("Disposal Shares") at a total consideration of HK\$9,960,400.

AFS is a connected person of the Company by virtue of it being a subsidiary of AEON Co., Ltd., the controlling shareholder of the Company. The entering into of the Sale and Purchase Agreement in respect of the Disposal Shares constitutes an one-off connected transaction for the Company.

- (ii) On 24 June 2025, GDA and Teem Holding entered into a Tenancy Agreement for the use of the premises, being Shop B113 and B114, Basement 1, (together with the warehouses in Basement 2 and Basement 3), Teem Plaza, 208 Tianhe Road, Guangzhou, for a term of eight years commencing from 1 July 2025 for the continuous operation of GDA's Teem Plaza Store. The total amount of rent payable during the term of the Tenancy Agreement is approximately RMB101.61 million. The use of the premises will require the Group to recognize the use of the premises as an acquisition of a right-of-use asset of the Group. The acquisition of right-of-use asset is a one-off transaction pursuant to the Listing Rules. Accordingly, the Group has recognized the amount of approximately RMB88.34 million as right-of-use asset in the year.
- (iii) On 18 November 2025, the Company and AEON GLOBAL SCM Co., Ltd., ("AGSCM Japan") entered into the Master Services Agreement to renew the Previous Master Services Agreement which expired on 30 November 2025. Pursuant to the Master Services Agreement, the Group shall pay a fixed monthly fee of approximately RMB242,000 (excluding tax) to AGSCM Group for the use of the Warehouse, which is located at Dongguan City of Guangdong Province in China. The use of Warehouse will require the Group to recognize the use of the Warehouse as an acquisition of a right-of-use asset of the Group. The acquisition of right-of-use asset is a one-off transaction pursuant to the Listing Rules. Accordingly, the Group has recognized the amount of approximately RMB3,100,000 as right-of-use asset in the year.

The related party transactions as disclosed in note 39 to the consolidated financial statements also fell under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2025, 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 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:

<b>Substantial shareholders</b>	<b>Long Position Number of ordinary shares held</b>	<b>Approximate percentage of the total number of issued shares</b>
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 294,888,000 shares representing 70.42% 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 31 December 2025.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries, its ultimate holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### 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.

### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,680,000 (2024: HK\$1,671,000).

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30% of the Group's total sales and purchases for the year.

At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the number of the issued shares of the Company) have any interest in these major customers and suppliers.

### EMOLUMENT POLICY

The emoluments of the Directors of the Company are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

## DIRECTORS' REPORT

### RETIREMENT SCHEMES

Details of retirement schemes operated by the Group are set out in note 38 to the consolidated financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to 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 report.

### AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to reappoint Messrs. KPMG as the auditor of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'T. Goto', written in a cursive style.

**GOTO Toshiya**  
*Chairman*

Hong Kong, 27 March 2026

## INDEPENDENT AUDITOR'S REPORT



### Independent auditor's report to the shareholders of AEON Stores (Hong Kong) Co., Limited

*(Incorporated in Hong Kong with limited liability)*

#### OPINION

We have audited the consolidated financial statements of AEON Stores (Hong Kong) Co., Limited ("the Company") and its subsidiaries ("the Group") set out on pages 78 to 145, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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.

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern, we have determined the matter below to be the key audit matter to be communicated in our report.

#### Impairment assessment of property, plant and equipment and right-of-use assets

*Refer to the accounting policies in note 3.2 and note 20 to the consolidated financial statements*

##### The Key Audit Matter

At 31 December 2025, the net book value of the Group's property, plant and equipment and right-of-use assets, amounted to HK\$453,930,000 and HK\$2,284,677,000, respectively.

Management has determined each individual retail store as a separate cash-generating unit ("CGU"). Management reviews the performance of individual CGU to identify if there are any impairment indicators on the allocated assets of the CGUs which mainly comprise property, plant and equipment and right-of-use assets. Where impairment indicators are identified, management performs an impairment assessment of the CGUs by determining the recoverable amount of the CGUs, which is the higher of fair value less costs of disposal and value in use, and then comparing the carrying value of the allocated assets of the CGUs with the recoverable amount of the CGUs.

##### How the matter was addressed in our audit

Our audit procedures to assess impairment of property, plant and equipment and right-of-use assets included the following:

- understanding and evaluating the design and implementation of key internal controls in place over the impairment assessment;
- evaluating management's assessment of impairment indicators of individual CGU with reference to the requirements of the prevailing accounting standards; and
- considering whether there is any indication that a previously recognised impairment losses for a CGU may no longer exist or may have decreased.

For those identified CGUs with significant carrying value where the recoverable amounts were determined based on value in use;

- comparing the key assumptions used in the discounted cash flow forecasts prepared by management, including future revenue growth rates, with the historical performance and up-to-date approved budgets of the identified CGUs;

## INDEPENDENT AUDITOR'S REPORT

### Impairment assessment of property, plant and equipment and right-of-use assets

*Refer to the accounting policies in note 3.2 and note 20 to the consolidated financial statements*

#### The Key Audit Matter

We identified the assessment of impairment of property, plant and equipment and right-of-use assets as a key audit matter because of the significance of the carrying value of such assets to the consolidated financial statements and because of, for value in use assessment, the determination of key assumptions used in the discounted cash flow forecasts, including future revenue growth rates and discount rates; and for fair value less costs of disposal assessment, market rents and market yields, which are subject to a significant degree of judgement and could be subject to management bias.

#### How the matter was addressed in our audit

- with the assistance of our internal valuation specialists, evaluating the methodology used by management in the preparation of its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other similar retailers;
- performing sensitivity analysis of the significant inputs, including future revenue growth rates and the discount rates used in the discounted cash flow forecasts prepared by management and considered the resulting impact on the impairment charge for the period and whether there were any indicators of management bias; and
- comparing the actual results of the identified CGUs for the current year with the key assumptions adopted by management in the discounted cash flow forecasts for prior year to assess the effectiveness of the management's forecasting process and consider if there was any indication of management bias;

For those identified CGUs with significant carrying value where the recoverable amounts were determined based on fair value less costs of disposal:

- evaluating key assumptions used in determining the fair value less cost of disposal of the identified CGUs, including market rents and market yields; and evaluating the methodology used in the independent professional valuer's report with reference to the requirements of the prevailing accounting standards, with the assistance from our internal valuation specialists; and
- assessing the external valuer's qualifications, experience, competence and objectivity.

#### Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

## INDEPENDENT AUDITOR'S REPORT

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chui Kin Pong (practising certificate number: P06609).



### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

27 March 2026

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>Revenue</b>	5	<b>7,795,154</b>	8,095,338
Other income	7	<b>436,700</b>	478,948
Investment income	8	<b>8,813</b>	16,715
Interest income from rental deposits		<b>12,807</b>	11,023
Purchase of goods and changes in inventories		<b>(5,578,938)</b>	(5,755,960)
Staff costs		<b>(847,924)</b>	(965,101)
Depreciation of investment properties	21	<b>(73,016)</b>	(64,862)
Depreciation of property, plant and equipment	18	<b>(140,072)</b>	(135,126)
Depreciation of right-of-use assets	19	<b>(654,017)</b>	(676,758)
Leases expenses		<b>(54,976)</b>	(88,547)
Other expenses	9	<b>(1,049,424)</b>	(1,037,203)
Pre-operating expenses	10	<b>(9,348)</b>	(3,811)
Other gains and losses	11	<b>21,015</b>	2,844
Finance costs		<b>(8,190)</b>	(1,236)
Interest on lease liabilities		<b>(210,044)</b>	(214,798)
<b>Loss before tax</b>		<b>(351,460)</b>	(338,534)
Income tax expense	12	<b>(2,594)</b>	(2,187)
Loss for the year	13	<b>(354,054)</b>	(340,721)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(324,351)</b>	(338,070)
Non-controlling interest		<b>(29,703)</b>	(2,651)
		<b>(354,054)</b>	(340,721)
Loss per share (basic and diluted)	17	<b>(124.75)</b> <b>HK Cents</b>	(130.03) HK Cents

The notes on pages 85 to 145 form part of these financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 HK\$'000	2024 HK\$'000
<b>Loss for the year</b>	<b>(354,054)</b>	(340,721)
<b>Other comprehensive income</b>		
<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")	<b>3,231</b>	1,789
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of operations outside Hong Kong	<b>(4,321)</b>	2,994
Other comprehensive income for the year, net of income tax	<b>(1,090)</b>	4,783
<b>Total comprehensive income for the year</b>	<b>(355,144)</b>	(335,938)
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>(326,792)</b>	(331,847)
Non-controlling interest	<b>(28,352)</b>	(4,091)
	<b>(355,144)</b>	(335,938)

The notes on pages 85 to 145 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	453,930	411,519
Right-of-use assets	19	2,284,677	2,532,346
Investment properties	21	356,886	386,700
Equity instruments at FVTOCI	22	5,819	12,549
Pledged bank deposits	23	30,585	26,358
Time deposits	29	2,960	5,404
Deferred tax assets	25	19,301	21,265
Rental and related deposits paid	26	198,257	212,908
		<b>3,352,415</b>	3,609,049
<b>Current assets</b>			
Inventories	27	773,021	845,714
Receivables, prepayments and deposits	26	151,778	132,606
Amounts due from fellow subsidiaries	28	10,937	19,895
Pledged bank deposits	23	12,645	17,474
Time deposits	29	208,304	315,300
Bank balances and cash	30	400,541	515,277
		<b>1,557,226</b>	1,846,266
<b>Current liabilities</b>			
Trade payables	31	1,027,884	1,005,254
Other payables, accrued charges and other liabilities	31	585,772	632,156
Lease liabilities	32	682,901	757,615
Contract liabilities	31	352,458	370,642
Dividend payable		201	201
Amount due to ultimate holding company	33	26,415	21,936
Loans from ultimate holding company	33	416,357	229,659
Amounts due to fellow subsidiaries	33	25,154	27,891
Tax payable	24	188	185
		<b>3,117,330</b>	3,045,539
<b>Net current liabilities</b>		<b>(1,560,104)</b>	(1,199,273)
<b>Total assets less current liabilities</b>		<b>1,792,311</b>	2,409,776

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>Non-current liabilities</b>			
Rental deposits received and other liabilities	31	116,619	134,268
Lease liabilities	32	2,461,577	2,706,249
		<b>2,578,196</b>	2,840,517
<b>Net liabilities</b>			
		<b>(785,885)</b>	(430,741)
<b>Capital and reserves</b>			
Share capital	34	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
<b>Total deficit</b>			
		<b>(785,885)</b>	(430,741)

Approved and authorised for issue by the board of directors on 27 March 2026.


**TAKENORI NAGASHIMA***Director*

**SHINYA HISANAGA***Director*

The notes on pages 85 to 145 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company								
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	People's Republic of China (the "PRC") statutory reserve HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
<b>At 1 January 2025</b>	115,158	11,104	51,368	5,768	134,535	(847,518)	(529,585)	98,844	(430,741)
Loss for the year	–	–	–	–	–	(324,351)	(324,351)	(29,703)	(354,054)
Other comprehensive income for the year	–	3,231	(5,672)	–	–	–	(2,441)	1,351	(1,090)
Total comprehensive income for the year	–	3,231	(5,672)	–	–	(324,351)	(326,792)	(28,352)	(355,144)
Transfer between reserves upon disposal of equity investments	–	(9,179)	–	–	–	9,179	–	–	–
<b>At 31 December 2025</b>	115,158	5,156	45,696	5,768	134,535	(1,162,690)	(856,377)	70,492	(785,885)

	Attributable to owners of the Company								
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	People's Republic of China (the "PRC") statutory reserve HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
<b>At 1 January 2024</b>	115,158	18,348	46,934	5,768	134,535	(518,481)	(197,738)	103,311	(94,427)
Loss for the year	–	–	–	–	–	(338,070)	(338,070)	(2,651)	(340,721)
Other comprehensive income for the year	–	1,789	4,434	–	–	–	6,223	(1,440)	4,783
Total comprehensive income for the year	–	1,789	4,434	–	–	(338,070)	(331,847)	(4,091)	(335,938)
Transfer between reserves upon disposal of equity investments	–	(9,033)	–	–	–	9,033	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(376)	(376)
<b>At 31 December 2024</b>	115,158	11,104	51,368	5,768	134,535	(847,518)	(529,585)	98,844	(430,741)

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

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

The notes on pages 85 to 145 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK\$'000	2024 HK\$'000
<b>Operating activities</b>			
Loss before tax		<b>(351,460)</b>	(338,534)
Adjustments for:			
Depreciation of investment properties	21	<b>73,016</b>	64,862
Depreciation of property, plant and equipment	18	<b>140,072</b>	135,126
Depreciation of right-of-use assets	19	<b>654,017</b>	676,758
Interest on lease liabilities		<b>210,044</b>	214,798
Finance costs		<b>8,190</b>	1,236
Interest income from rental deposits		<b>(12,807)</b>	(11,023)
Impairment loss recognised in respect of property, plant and equipment	11	<b>158</b>	2,151
Investment income	8	<b>(8,813)</b>	(16,715)
Loss on disposal/write-off of property, plant and equipment	11	<b>989</b>	435
Write-down/(write-back) of inventories	13	<b>630</b>	(443)
Gain on lease modifications	11	<b>(1)</b>	(11,347)
Loss allowance on rental deposits	11	<b>2,818</b>	—
Operating cash flows before movements in working capital		<b>716,853</b>	717,304
Decrease/(increase) in inventories		<b>77,985</b>	(13,364)
(Increase)/decrease in receivables, prepayments and deposits		<b>(14,383)</b>	21,017
Decrease in amounts due from fellow subsidiaries		<b>9,806</b>	55,626
Increase/(decrease) in trade payables		<b>14,604</b>	(180,106)
Decrease in other payables, accrued charges and other liabilities		<b>(74,796)</b>	(64,441)
Decrease in contract liabilities		<b>(23,312)</b>	(22,897)
Increase/(decrease) in amount due to ultimate holding company		<b>7,307</b>	(3,867)
Decrease in amounts due to fellow subsidiaries		<b>(2,939)</b>	(2,283)
<b>Cash generated from operations</b>		<b>711,125</b>	506,989
Income taxes paid		<b>(306)</b>	(39)
Interest on bank deposits and time deposits received		<b>8,768</b>	15,736
<b>Net cash from operating activities</b>		<b>719,587</b>	522,686

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2025

	<b>2025</b>	2024
	<b>HK\$'000</b>	HK\$'000
<b>Investing activities</b>		
Placement of pledged bank deposits	<b>(5,716)</b>	(8,527)
Withdrawal of pledged bank deposits	<b>6,906</b>	68,548
Dividends from equity instruments at FVTOCI	<b>736</b>	1,030
Purchase of property, plant and equipment	<b>(181,324)</b>	(155,407)
Proceeds from disposal of property, plant and equipment	<b>421</b>	66
Proceeds from disposal of equity instruments	<b>9,960</b>	9,994
Decrease/(increase) of rental deposits paid	<b>3,426</b>	(6,998)
Placement of time deposits	<b>(577,816)</b>	(319,057)
Withdrawal of time deposits	<b>691,510</b>	362,864
<b>Net cash used in investing activities</b>	<b>(51,897)</b>	(47,487)
<b>Financing activities</b>		
Dividend paid	—	(381)
Interest paid	<b>(2,987)</b>	—
Proceeds from loans from ultimate holding company	<b>195,008</b>	220,859
Interest on lease liabilities	<b>(210,044)</b>	(214,798)
Repayments of lease liabilities	<b>(764,925)</b>	(755,518)
<b>Net cash used in financing activities</b>	<b>(782,948)</b>	(749,838)
<b>Net decrease in cash and cash equivalents</b>	<b>(115,258)</b>	(274,639)
<b>Cash and cash equivalents at 1 January</b>	<b>515,277</b>	787,149
Effect of foreign exchange rate changes	<b>522</b>	2,767
<b>Cash and cash equivalents at 31 December, represented by bank balances and cash</b>	<b>400,541</b>	515,277

The notes on pages 85 to 145 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 1 GENERAL

AEON Stores (Hong Kong) Co., Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate parent is AEON Co., Ltd., incorporated and listed in Japan.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company and its subsidiaries (the “Group”) is the operation of retail stores.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$” or HKD). The Company’s functional currency is HKD, while the functional currency of the subsidiaries registered in the People’s Republic of China (the “PRC”) is Renminbi (“RMB”).

## 2 APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

### (i) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accounts (“HKICPA”) to these financial statements for the current accounting period:

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

The above development does not have significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies. In addition, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: disclosures - Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: disclosures - Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards - Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for HKFRS 18, where the presentation and disclosure of the consolidated financial statements are expected to change.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 approval of these 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 (see Notes 33 and 44). 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 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 loans upon their maturities and 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.

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.1 Basis of preparation of consolidated financial statements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 3.2 Material accounting policies

##### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Basis of consolidation (Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

##### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied which is the point in time when "control" of the goods or services underlying the particular performance obligation is transferred to the customer, i.e. when the customer takes possession of and accepts the goods sold by the Group. Payment of the transaction price is due immediately when the customer purchases the goods in store.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

##### *Revenue arising from recognition of unutilised balances on aged prepaid cards*

Revenue arising from recognition of unutilised balances on aged prepaid cards is recognised according to the "remote recognition" method. Under this policy, the unutilised balance on the card will be recognised as revenue once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

##### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (sales of goods and award credits for customers under the Group's customer loyalty scheme), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Revenue from contracts with customers (Continued)**

###### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. direct sales in which the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. income from concessionaire sales in which the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to a customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party to a customer.

##### **Leases**

###### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

###### *The Group as a lessee*

###### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

###### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases for staff quarters, office equipment and advertising billboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Leases (Continued)**

*The Group as a lessee (Continued)*

##### Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9, *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Leases (Continued)**

*The Group as a lessee (Continued)*

##### Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Leases (Continued)**

*The Group as a lessee (Continued)*

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*The Group as a lessor*

##### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Leases (Continued)**

*The Group as a lessor (Continued)*

##### Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15, *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### Sub-lease

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

##### Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

##### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Foreign currencies (Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

##### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

##### *Pre-operating expenses*

Expenses relating to the setting up of stores are charged directly to profit or loss when incurred.

##### *Retirement benefits costs*

Payments to the defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

##### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Taxation (Continued)**

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

##### **Property, plant and equipment**

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Property, plant and equipment (Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and sub-leased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any recognised impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

If an investment property becomes a right-of-use asset because its use has changed as evidenced by the commencement of owner-occupation, the carrying amount of the property at the date of transfer is transferred to right-of-use asset.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

##### *Impairment on property, plant and equipment, investment properties and right-of-use assets*

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment properties and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Impairment on property, plant and equipment, investment properties and right-of-use assets (Continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses in which the Group determines that there are sufficient evidence to conclude that the indicators of impairment no longer exist, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Inventories*

Inventories, which represent merchandise held for retail sale, are stated at the lower of cost and net realisable value. “Purchase of goods and changes in inventories” as reported in the consolidated statement of profit or loss are determined using retail price method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors’ best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

##### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Financial instruments (Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Financial assets*

##### Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3, *Business Combinations* applies.

##### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Classification and subsequent measurement of financial assets (Continued)

##### (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated loss.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income" line item in profit or loss.

##### Impairment assessment of financial assets under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including pledged bank deposits, accounts receivables, other receivables, amounts due from fellow subsidiaries, time deposits, and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment assessment of financial assets under HKFRS 9 (Continued)

##### (i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment assessment of financial assets under HKFRS 9 (Continued)

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment assessment of financial assets under HKFRS 9 (Continued)

##### (v) Measurement and recognition of ECL (Continued)

Lifetime ECL for accounts receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### **Financial instruments (Continued)**

*Financial assets (Continued)*

Derecognition of financial assets (Continued)

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Related parties**

- (a) A person, or a close member of that person's family, is related to the group if that person:
- (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.
- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

#### 3.2 Material accounting policies (Continued)

##### *Related parties (Continued)*

- (b) An entity is related to the group if any of the following conditions applies: (Continued)
- (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 4 ACCOUNTING JUDGEMENTS AND ESTIMATE

#### (i) Critical accounting judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made the following accounting judgement:

##### *Determining the lease term*

As explained in policy note 3.2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 4 ACCOUNTING JUDGEMENTS AND ESTIMATE (Continued)

#### (ii) Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Assessment of the Group's ability to continue as a going concern***

In determining whether an assumption the Group is able to operate as a going concern is appropriate, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the cash flow forecast in the coming twelve months from the end of the financial period and period beyond the management's assessment; (2) the appropriate key assumptions to be applied in the cash flow forecast including forecasted sales and gross margin; and (3) the intention and ability of AEON Co., Ltd. to provide sufficient and appropriate financial assistance from time to time as and when is necessary. Changing the assumptions and estimates could materially affect the going concern assessment.

#### ***Impairment of property, plant and equipment and right-of-use assets***

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount which is higher of value in use and fair value less cost of disposal, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset and in the case of fair value less cost of disposal, income approach is used by referencing to recent market rents of comparable assets; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including growth rates, budgeted sales, gross margins and an appropriate discount rate in the cash flow projections and, market rents and market yield when determining the fair values. Changing the assumptions and estimates could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to volatility in financial markets.

Details of the impairment assessment on property, plant and equipment, investment properties and right-of-use assets are disclosed in notes 20 and 21.

#### ***Net realisable value of inventories***

The Group's inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value for certain items when there is objective evidence that the cost of inventories may not be recoverable for those items. The cost of inventories may not be recoverable if certain items of inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

The determination of the amount of allowance requires assessment of net realisable values of inventories by the management and the consideration of the conditions and age of the inventories, consumer demand and subsequent sales information. If estimates regarding consumer demand are inaccurate, allowance for inventories may increase or decrease accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 5 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

For the year ended 31 December 2025

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

For the year ended 31 December 2024

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

#### (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 been 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 been 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 5 REVENUE (Continued)

#### (ii) Performance obligations for contracts with customers (Continued)

##### *Direct sales (Continued)*

The Group also grants award credits for customers under the Group's customer loyalty scheme, revenue is recognised when control of the goods has been 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 is responsible for arranging licensees to sell their own 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.

### 6 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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 6 OPERATING SEGMENTS (Continued)

#### Segment revenues and results (Continued)

For the year ended 31 December 2024

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred earned 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.

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.

#### Other segment information

##### For the year ended 31 December 2025

	Hong Kong HK\$'000	Chinese Mainland HK\$'000	Segment total HK\$'000
Amounts included in the measure of segment loss:			
Depreciation of investment properties	36,287	36,729	73,016
Depreciation of property, plant and equipment	60,655	79,417	140,072
Depreciation of right-of-use assets	467,679	186,338	654,017
Impairment loss recognised in respect of property, plant and equipment	—	158	158
Loss on disposal of property, plant and equipment	84	905	989
Gain on lease modification	—	(1)	(1)
Loss allowance on rental deposits	—	2,818	2,818
Write-down of inventories	—	630	630
Interest on lease liabilities	120,468	89,576	210,044

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 6 OPERATING SEGMENTS (Continued)

#### Other segment information (Continued)

For the year ended 31 December 2024

	Hong Kong HK\$'000	Chinese Mainland HK\$'000	Segment total HK\$'000
Amounts included in the measure of segment loss:			
Depreciation of investment properties	35,085	29,777	64,862
Depreciation of property, plant and equipment	62,881	72,245	135,126
Depreciation of right-of-use assets	481,010	195,748	676,758
Impairment loss recognised in respect of property, plant and equipment	—	2,151	2,151
Loss on disposal/write-off of property, plant and equipment	46	389	435
Loss/(gain) on lease modifications	117	(11,464)	(11,347)
Write-back of inventories	—	(443)	(443)
Interest on lease liabilities	117,588	97,210	214,798

#### Geographical information

The information of the group's non-current assets by geographical location of assets other than equity instruments at FVTOCI, pledged bank deposits, time deposits and deferred tax assets are set out below:

	2025 HK\$'000	2024 HK\$'000
Hong Kong	1,408,198	1,906,235
Chinese Mainland	1,885,552	1,637,238
	<b>3,293,750</b>	3,543,473

#### Information about major customers

None of the Group's single customer attributed to more than 10% of the Group's total external revenue for both years.

### 7 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
	<b>436,700</b>	478,948

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 8 INVESTMENT INCOME

	2025 HK\$'000	2024 HK\$'000
Dividends from equity instruments measured at FVTOCI	736	1,030
Interest from bank and time deposits	8,077	15,685
	<b>8,813</b>	16,715

### 9 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
	<b>1,049,424</b>	1,037,203

### 10 PRE-OPERATING EXPENSES

The amounts represent the set up costs for new stores. Included in pre-operating expenses for the year ended 31 December 2025 are staff costs of HK\$8,310,000 (2024: HK\$3,442,000).

### 11 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/write-off of property, plant and equipment	(989)	(435)
Gain on lease modifications	1	11,347
Loss allowance on rental deposits	(2,818)	—
	<b>21,015</b>	2,844

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 12 INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
The charges comprise:		
Current tax		
PRC withholding tax	306	39
Deferred tax (note 25)		
Current year	2,288	2,148
Income tax expense for the year	<b>2,594</b>	2,187

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

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

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

The income tax expense for the year can be reconciled from the loss before tax per the consolidated statement of profit or loss as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before tax	<b>(351,460)</b>	(338,534)
Notional tax on loss before tax, calculated at the rates applicable in the relevant tax jurisdictions	<b>(70,998)</b>	(60,470)
Tax effect of expenses not deductible for tax purpose	<b>1,073</b>	1,410
Tax effect of income not taxable for tax purpose	<b>(3,105)</b>	(3,340)
Tax effect of temporary difference not recognised	<b>3,653</b>	(1,488)
Tax effect of tax losses not recognised	<b>71,665</b>	66,036
Withholding tax on interest income arising from intercompany borrowings	<b>306</b>	39
Income tax expense	<b>2,594</b>	2,187

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 13 LOSS FOR THE YEAR

	2025 HK\$'000	2024 HK\$'000
<i>Loss for the year has been arrived at after charging/(crediting):</i>		
Auditor's remuneration		
– audit services	5,224	5,496
– tax services	914	872
– other services	444	724
Expenses relating to		
– short-term leases and leases of low-value assets	28,603	46,656
– variable lease payment (Note)	36,778	44,279
	<b>65,381</b>	90,935
Contributions to defined contribution schemes	87,147	82,323
Gross rental income from investment properties		
– fixed	(250,956)	(257,682)
– variable (Note)	(51,115)	(59,006)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	118,150	112,127
	<b>(183,921)</b>	(204,561)
Cost of inventories recognised as an expense	5,578,938	5,755,960
Write-down/(write-back) of inventories (included in purchase of goods and changes in inventories)	630	(443)

Note: Variable lease payment is the excess of the minimum lease payments as stated in the relevant lease agreements, which is calculated based on a percentage of turnover of the relevant operation that occupied the premises.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 14 DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Executive directors		Non-executive directors					Independent non-executive directors				Total	
	Takenori Nagashima	Shinya Hisanaga	Isei Nakagawa	Hiroyuki Inohara	Makoto Fukuda	Toshiya Goto	Yokochi Yasutoshi	Kenji Fujita	Chow Chi Tong	Hideto Mizuno	Shum Wing Ting		Wong Mei Ling
	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000 (Note d)	HK\$'000 (Note a) (Note d)	HK\$'000 (Note a)	HK\$'000	HK\$'000		HK\$'000 (Note c)
<b>For the year ended 31 December 2025</b>													
Fees	-	-	-	83	-	43	-	-	82	190	200	119	717
Other emolument													
Salaries and other benefits	1,901	1,136	-	-	-	-	-	-	-	-	-	-	3,037
Performance based bonus (Note e)	74	54	-	-	-	-	-	-	-	-	-	-	128
Contributions to retirement benefits schemes	156	130	-	-	-	-	-	-	-	-	-	-	286
<b>Total</b>	<b>2,131</b>	<b>1,320</b>	<b>-</b>	<b>83</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>190</b>	<b>200</b>	<b>119</b>	<b>4,168</b>
<b>For the year ended 31 December 2024</b>													
Fees	-	-	15	78	-	37	-	-	200	190	200	-	720
Other emolument													
Salaries and other benefits	1,954	1,114	-	-	-	-	-	-	-	-	-	-	3,068
Performance based bonus (Note e)	99	133	-	-	-	-	-	-	-	-	-	-	232
Contributions to retirement benefits schemes	154	120	-	-	-	-	-	-	-	-	-	-	274
<b>Total</b>	<b>2,207</b>	<b>1,367</b>	<b>15</b>	<b>78</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>190</b>	<b>200</b>	<b>-</b>	<b>4,294</b>

Notes:

- Directors were resigned/retired during the year ended 31 December 2025.
- Directors were resigned/retired during the year ended 31 December 2024.
- Director was appointed during the year ended 31 December 2025.
- Directors were appointed during the year ended 31 December 2024.
- The performance based bonus is determined by reference to the individual performance of the directors. It is reviewed by the Remuneration Committee and approved by the Board of Directors.

The executive directors' emoluments were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments were for their services as directors of the Company or its subsidiaries.

The independent non-executive director's emoluments were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. There is no inducement for directors to join the Group nor compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 15 EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2024: two) were directors whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining three (2024: three) individuals were as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	3,460	4,068
Performance based bonus	417	831
Contributions to retirement benefit schemes	185	186
	<b>4,062</b>	5,085

	2025 No. of employees	2024 No. of employees
Their emoluments were within the following bands:		
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	—	1

There is no inducement for five highest paid employee to join the Group nor compensation for the loss of office as an employee in connection with the management of the affairs of any member of the Group.

Other than the emoluments of two (2024: two) directors and three (2024: three) senior management individuals of the Group disclosed in note 14 and above, the emoluments of the remaining one (2024: one) senior management of the Group were within the following bands:

	2025 No. of employees	2024 No. of employees
Nil to HK\$1,000,000	1	1

### 16 DIVIDENDS

	2025 HK\$'000	2024 HK\$'000
Final dividend paid for 2025 of HK\$nil cents (2024: Nil) per ordinary share	—	—
Interim dividend paid for 2025 of HK\$nil cents (2024: Nil) per ordinary share	—	—
	—	—

The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 17 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 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.

### 18 PROPERTY, PLANT AND EQUIPMENT

	Building fixtures HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2024	1,558,655	769,164	2,378	34,660	2,364,857
Exchange adjustments	(10,509)	(5,182)	(25)	(347)	(16,063)
Additions	8,599	26,748	235	117,186	152,768
Transfer	68,280	39,741	—	(108,021)	—
Disposals/write-off	(107,911)	(22,967)	(243)	—	(131,121)
At 31 December 2024	<b>1,517,114</b>	<b>807,504</b>	<b>2,345</b>	<b>43,478</b>	<b>2,370,441</b>
Exchange adjustments	<b>11,720</b>	<b>6,347</b>	<b>28</b>	<b>72</b>	<b>18,167</b>
Additions	<b>7,494</b>	<b>42,373</b>	<b>479</b>	<b>129,329</b>	<b>179,675</b>
Transfer	<b>96,880</b>	<b>69,869</b>	<b>—</b>	<b>(166,749)</b>	<b>—</b>
Disposals/write-off	<b>(81,509)</b>	<b>(34,963)</b>	<b>(510)</b>	<b>(64)</b>	<b>(117,046)</b>
At 31 December 2025	<b>1,551,699</b>	<b>891,130</b>	<b>2,342</b>	<b>6,066</b>	<b>2,451,237</b>
<b>Depreciation and impairment</b>					
At 1 January 2024	1,330,824	631,710	2,378	—	1,964,912
Exchange adjustments	(8,476)	(4,148)	(23)	—	(12,647)
Provided for the year	84,036	51,070	20	—	135,126
Eliminated on disposal/write-off	(107,607)	(22,770)	(243)	—	(130,620)
Impairment losses recognised (note 20)	2,151	—	—	—	2,151
At 31 December 2024	<b>1,300,928</b>	<b>655,862</b>	<b>2,132</b>	<b>—</b>	<b>1,958,922</b>
Exchange adjustments	<b>9,093</b>	<b>4,677</b>	<b>21</b>	<b>—</b>	<b>13,791</b>
Provided for the year	<b>80,922</b>	<b>59,015</b>	<b>135</b>	<b>—</b>	<b>140,072</b>
Eliminated on disposal/write-off	<b>(80,427)</b>	<b>(34,699)</b>	<b>(510)</b>	<b>—</b>	<b>(115,636)</b>
Impairment losses recognised (note 20)	<b>9</b>	<b>149</b>	<b>—</b>	<b>—</b>	<b>158</b>
At 31 December 2025	<b>1,310,525</b>	<b>685,004</b>	<b>1,778</b>	<b>—</b>	<b>1,997,307</b>
<b>Carrying values</b>					
At 31 December 2025	<b>241,174</b>	<b>206,126</b>	<b>564</b>	<b>6,066</b>	<b>453,930</b>
At 31 December 2024	216,186	151,642	213	43,478	411,519

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 18 PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates:

Building fixtures	Over the expected useful lives of nine years or, where shorter, the term of the relevant lease
Furniture, fixtures and equipment	10% to 25% per annum
Motor vehicles	20% to 25% per annum

### 19 RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
<b>As at 31 December 2025</b>	
Carrying amount	2,284,677
<b>As at 31 December 2024</b>	
Carrying amount	2,532,346
<b>For the year ended 31 December 2025</b>	
Depreciation charge	654,017
<b>For the year ended 31 December 2024</b>	
Depreciation charge	676,758

	2025 HK\$'000	2024 HK\$'000
Expense relating to short-term leases	22,714	40,733
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	5,889	5,923
Variable lease payments not included in the measurement of lease liabilities	36,777	44,279
Total cash outflow for leases	1,040,349	1,061,252
Additions to right-of-use assets	382,090	970,012

The Group leases retail stores, warehouse, office, staff quarters, office equipment and advertising billboards for its operations. Lease contracts are entered into for fixed term of one to twenty years (2024: one to twenty years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 19 RIGHT-OF-USE ASSETS (Continued)

In addition, following by a lease modification to shorten the lease term, the Group had derecognised right-of-use assets of HK\$385,000 (2024: HK\$450,116,000) and related lease liabilities of HK\$386,000 (2024: HK\$461,463,000), resulting into a gain on lease modification amounting to HK\$1,000 (2024: HK\$11,347,000) recognised in profit or loss.

The Group regularly entered into short-term leases for staff quarters, office equipment and advertising billboards. As at 31 December 2025 and 31 December 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the years.

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 2% to 11% (2024: 2% to 11%) sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail stores in Hong Kong and Chinese Mainland where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors (excluding those relating to short-term leases and low-value assets) during the year are shown below:

#### For the year ended 31 December 2025

	Number of premises	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores, warehouse and office without variable lease payments	28	223,185	—	223,185
Retail stores with variable lease payments	105	751,784	36,777	788,561
	133	974,969	36,777	1,011,746

#### For the year ended 31 December 2024

	Number of premises	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores, warehouse and office without variable lease payments	30	282,303	—	282,303
Retail stores with variable lease payments	95	688,013	44,279	732,292
	125	970,316	44,279	1,014,595

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

The Group has extension and/or termination options in a number of leases for retail stores. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 19 RIGHT-OF-USE ASSETS (Continued)

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise is summarised below:

	<b>Lease liabilities recognised as at 31 December 2025</b>	<b>Potential future lease payments not included in lease liabilities (undiscounted) 31 December 2025</b>	Lease liabilities recognised as at 31 December 2024	Potential future lease payments not included in lease liabilities (undiscounted) 31 December 2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail stores, warehouse and office – Hong Kong	<b>1,344,900</b>	<b>551,662</b>	1,847,505	576,084
Retail stores, warehouse and office – Chinese Mainland	<b>1,799,578</b>	<b>408,864</b>	1,616,360	527,643

#### Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 32 and 41.

### 20 IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

The management considered there were impairment indicators of certain stores and hence conducted impairment assessment on the relevant stores, which represents individual cash-generating units 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 cash-generating units 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 budgets approved by the management covering the unexpired lease terms of the relevant stores with a pre-tax discount rate of 8.42% to 10.10% (2024: 9.91% to 10.86%). Cash flow projections during the budget period were based on the projected revenue and expected gross margins and the budgeted revenue growths and margins have been determined based on past performance 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 has been arrived at based on a valuation in Hong Kong and Chinese Mainland carried out by BonVision International Appraisals Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, respectively (2024: Jones Lang LaSalle Corporate Appraisal and Advisory Limited). They are independent third party qualified valuers which have appropriate professional qualifications and recent experience in the valuations of similar assets in the relevant locations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 20 IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (Continued)

The fair value of right-of-use assets, upon which the recoverable amount was based, was classified at level 3 valuations at 31 December 2025. There was no transfer between levels in both years.

	Level 3	
	2025 HK\$'000	2024 HK\$'000
Right-of-use assets	2,152,636	1,692,993

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 4.6% – 6.0% per annum (2024: 4.3% – 5.5% per annum) expected by investors on similar 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 Chinese Mainland and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's cash-generating units.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of some cash-generating units are lower than their carrying amounts. The impairment amount has been allocated to each category of the impaired cash-generating units, which mainly comprise property, plant and equipment, and right-of-use assets, such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the allocation, impairment loss of HK\$158,000 (2024: HK\$2,151,000), has been recognised against the carrying amount of property, plant and equipment.

### 21 INVESTMENT PROPERTIES

The Group leases out retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of one to fifteen years (2024: one to fifteen years). The leases of retail stores contain variable lease payment that are based on 6% to 30% (2024: 6% to 30%) of sales and minimum annual lease payment that are fixed over the lease term.

For the year ended 31 December 2025, cash outflow for leases of HK\$85,793,000 (2024: HK\$95,596,000) represented the amounts paid for leased properties under sub-leases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 21 INVESTMENT PROPERTIES (Continued)

	<b>Leased properties</b>
	HK\$'000
<b>Cost</b>	
At 1 January 2024	611,823
Exchange adjustments	(6,578)
Additions	109,259
Disposals	(5)
Reclassification from right-of-use assets (Note)	113,517
At 31 December 2024	<b>828,016</b>
Exchange adjustments	<b>7,991</b>
Additions	<b>32,737</b>
Disposals	<b>(11,265)</b>
Reclassification to right-of-use assets (Note)	<b>(15,725)</b>
At 31 December 2025	<b>841,754</b>
<b>Depreciation</b>	
At 1 January 2024	333,098
Exchange adjustments	(2,949)
Provided for the year	64,862
Write-back on disposals	(5)
Eliminated on reclassification from right-of-use assets (Note)	46,310
At 31 December 2024	<b>441,316</b>
Exchange adjustments	<b>3,492</b>
Provided for the year	<b>73,016</b>
Write-back on disposals	<b>(8,413)</b>
Eliminated on reclassification to right-of-use assets (Note)	<b>(24,543)</b>
At 31 December 2025	<b>484,868</b>
<b>Carrying values</b>	
As 31 December 2025	<b>356,886</b>
At 31 December 2024	386,700

The fair value of the Group's investment properties at 31 December 2025 was HK\$1,206,136,000 (2024: HK\$950,482,000). The fair value has been arrived at based on a valuation in Hong Kong and Chinese Mainland carried out by BonVision International Appraisals Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, respectively (2024: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), an independent third party qualified valuer which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 21 INVESTMENT PROPERTIES (Continued)

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for similar type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties 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 Chinese Mainland and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2025		2024	
	Carrying amount HK\$'000	Fair value at Level 3 hierarchy HK\$'000	Carrying amount HK\$'000	Fair value at Level 3 hierarchy HK\$'000
Retail stores located in Hong Kong	74,725	216,732	106,668	303,103
Retail stores located in the Chinese Mainland	282,161	1,134,500	280,032	647,379
	<b>356,886</b>	<b>1,351,232</b>	386,700	950,482

Note: The carrying amount of investment properties of HK\$8,818,000 has been transferred to right-of-use assets (2024: carrying amount of investment properties of HK\$75,783,000 has been transferred from right-of-use assets) because of the change of use by the Group for its own operation.

### 22 EQUITY INSTRUMENTS AT FVTOCI

	2025 HK\$'000	2024 HK\$'000
Equity securities:		
Listed shares in Hong Kong at fair value	5,819	12,549

The listed shares in Hong Kong mainly represents an investment in a fellow subsidiary of HK\$5,680,000 (2024: HK\$12,436,000).

The fair value of equity securities have been determined based on the quoted market bid prices available on the stock exchange.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 23 PLEDGED BANK DEPOSITS

	2025		2024	
	Non-current HK\$'000	Current HK\$'000	Non-current HK\$'000	Current HK\$'000
Bank deposits were pledged for the following purpose:				
As guarantee to landlords for rental deposits	30,585	5,493	26,358	10,435
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	—	7,152	—	7,039
	<b>30,585</b>	<b>12,645</b>	26,358	17,474

Details of credit risk are set out in note 41.

### 24 CURRENT TAXATION

Current tax payable represents the provision for the PRC tax of HK\$188,000 (2024: HK\$185,000).

### 25 DEFERRED TAXATION

The following are the components of deferred tax assets/(liabilities) recognised and movements thereon during the current and prior reporting periods:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2024	(238,408)	268,023	(5,888)	23,727
Exchange adjustments	3,284	(3,701)	103	(314)
(Charged)/credited to profit or loss	10,905	(11,493)	(1,560)	(2,148)
At 31 December 2024	(224,219)	252,829	(7,345)	21,265
Exchange adjustments	<b>(4,036)</b>	<b>4,510</b>	<b>(150)</b>	<b>324</b>
(Charged)/credited to profit or loss	<b>(51,715)</b>	<b>41,932</b>	<b>7,495</b>	<b>(2,288)</b>
At 31 December 2025	<b>(279,970)</b>	<b>299,271</b>	—	<b>19,301</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 25 DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	<b>19,301</b>	21,265

#### Deferred tax assets not recognised

At the end of the reporting period, the Group has deductible temporary differences of HK\$2,429,842,000 (2024: HK\$2,101,703,000) which no deferred tax asset is recognised in the statement of financial position due to the unpredictability of future profit streams for the Company and the relevant subsidiaries. Included in the balance are unused tax losses of HK\$1,934,231,000 (2024: HK\$1,588,371,000) and other deductible temporary differences of HK\$495,611,000 (2024: HK\$513,332,000). HK\$473,203,000 (2024: HK\$349,071,000) of the unused tax losses will expire as follow:

	2025 HK\$'000	2024 HK\$'000
To be expired by:		
31 December 2025	—	29,384
31 December 2026	<b>75,305</b>	79,893
31 December 2027	<b>88,189</b>	90,355
31 December 2028	<b>70,101</b>	72,273
31 December 2029	<b>67,948</b>	77,166
31 December 2030	<b>171,660</b>	—

Other unused tax losses of HK\$1,461,028,000 (2024: HK\$1,239,300,000) may be carried forward indefinitely.

### 26 RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's accounts receivables 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\$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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 26 RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

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

	<b>2025</b>	2024
	<b>HK\$'000</b>	HK\$'000
Accounts receivable	<b>25,939</b>	28,729
Rental and related deposits paid	<b>246,614</b>	246,088
Other receivables, prepayments and other deposits	<b>77,482</b>	70,697
	<b>350,035</b>	345,514
Less: Rental and related deposits paid under non-current assets	<b>(198,257)</b>	(212,908)
Receivables, prepayments and deposits	<b>151,778</b>	132,606

Details of credit risk are set out in note 41.

### 27 INVENTORIES

Inventories represent merchandise held for retail sale.

During the year, the directors have considered the market performance and the expected net realisable value of the inventories. As a result, the Group has written down inventories of HK\$630,000 (2024: written back inventories of HK\$443,000) to their net realisable values and included in "Purchases of goods and changes in inventories".

### 28 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are trade-related, unsecured, interest free and with credit term of 15 to 35 days (2024: 15 to 35 days). The amounts have an age of 0 to 35 days (2024: 0 to 35 days) since the invoice date and not yet due at the end of the respective reporting periods.

Details of credit risk are set out in note 41.

### 29 TIME DEPOSITS

As at 31 December 2025, time deposits represent deposits denominated in RMB amounting to HK\$211,264,000, with an original maturity for more than three months. The average effective interest rate of those time deposits denominated in RMB is 1.75% per annum. The deposits will mature within one year from the end of the reporting period except for the time deposits of HK\$2,960,000 which will mature after one year from the end of reporting period.

As at 31 December 2024, time deposits represent deposits denominated in RMB amounting to HK\$320,704,000, with an original maturity for more than three months. The average effective interest rate of those time deposits denominated in RMB is 2.07% per annum. The deposits will mature within one year from the end of the reporting period except for the time deposits of HK\$5,404,000 which will mature after one year from the end of reporting period.

Details of credit risk are set out in note 41.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 30 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.01% to 2.75% (2024: 0.01% to 4.36%) per annum.

As at 31 December 2025, bank balances and cash situated in Chinese Mainland amounted to HK\$350,986,000 (2024: HK\$423,521,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	<b>2025</b>	2024
	<b>HK\$'000</b>	HK\$'000
HKD	<b>2</b>	2
USD	<b>983</b>	4,411
Japanese Yen ("JPY")	<b>2,864</b>	5,082
RMB	<b>326</b>	5,521

Details of credit risk and impairment assessment are set out in note 41.

### 31 TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES, AND CONTRACT LIABILITIES

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 31 TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES, AND CONTRACT LIABILITIES (Continued)

The average credit period on purchases of goods is 67 days (2024: 70 days).

	2025 HK\$'000	2024 HK\$'000
Accrued expenses and other liabilities	337,112	312,592
Accrued staff costs	159,906	254,449
Value added tax payables for advance receipts on prepaid store-value cards	3,325	3,114
Payables for purchase of property, plant and equipment	8,737	6,029
Provision for reinstatement (Note)	97,743	95,961
Rental deposits received	95,568	94,279
	<b>702,391</b>	766,424
Less: Rental deposits received and other liabilities under non-current liabilities	<b>(116,619)</b>	(134,268)
Other payables, accrued charges and other liabilities	<b>585,772</b>	632,156

Note: Provision for reinstatement costs relates to the estimated cost to reinstate the stores at the end of the leases. The following is a movement of provision for reinstatement cost during the year:

	HK\$'000
At 1 January 2024	94,345
Additional provision in the year	4,318
Utilisation of provision	(2,601)
Exchange realignments	(101)
At 31 December 2024	95,961
Additional provision in the year	4,287
Utilisation of provision	(2,639)
Exchange realignments	134
At 31 December 2025	<b>97,743</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 31 TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES, AND CONTRACT LIABILITIES (Continued)

The following is an analysis of contract liabilities:

	2025 HK\$'000	2024 HK\$'000
Advance receipts on prepaid store-value cards	329,213	347,930
Deferred revenue	23,245	22,712
	<b>352,458</b>	370,642

The contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received consideration from the customers.

Movements in contract liabilities:

	2025 HK\$'000	2024 HK\$'000
Balance at the beginning of the year	370,642	398,404
Decrease in contract liabilities as a result of recognising revenue during the year	(352,640)	(316,397)
Increase in contract liabilities as a result of receiving consideration	329,573	293,500
Exchange realignments	4,883	(4,865)
Balance at the end of the year	<b>352,458</b>	370,642

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

- Prepaid store-value cards

The Group receives the face value of prepaid store-value cards and these prepaid store-value cards are non-refundable and have no expiration.

- Customer loyalty programmes

The Group grants award credits for customers for sales over certain amount under the Group's customer loyalty scheme. The customers can redeem the award credits as cash to be used in future sales. The award credits are with expiration dates of two years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 32 LEASE LIABILITIES

	2025 HK\$'000	2024 HK\$'000
<b>Lease liabilities payable:</b>		
Within one year	<b>682,901</b>	757,615
Within a period of more than one year but not more than two years	<b>622,011</b>	622,586
Within a period of more than two years but not more than five years	<b>1,016,829</b>	1,278,427
Within a period of more than five years	<b>822,737</b>	805,236
	<b>3,144,478</b>	3,463,864
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(682,901)</b>	(757,615)
Amount due for settlement after 12 months shown under non-current liabilities	<b>2,461,577</b>	2,706,249

### 33 BALANCES WITH ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

#### (i) The amounts due to ultimate holding company and fellow subsidiaries

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 (2024: 60 to 90 days). The amounts have an age of 60 to 90 days (2024: 60 to 90 days) based on the invoice date at the end of the reporting period.

#### (ii) Loans from ultimate holding company

The loans from the ultimate holding company bear interest at 2.50% to 2.55% (2024: 1.89%) per annum, are unsecured and repayable on 28 February 2026 (2024: 30 June 2025). 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 from 28 February 2026 to 28 February 2027.

### 34 SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of no par value as at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	260,000,000	115,158

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at the end of the reporting period is as follows:

	2025 HK\$'000	2024 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	142,867	175,925
Right-of-use assets	1,020,899	1,434,233
Investment properties	74,725	106,668
Investments in subsidiaries	272,558	241,063
Equity instruments at FVTOCI	5,819	12,549
Loan to a subsidiary	300,199	261,863
Rental and related deposits paid	169,706	189,410
	<b>1,986,773</b>	2,421,711
<b>Current assets</b>		
Inventories	417,311	461,285
Receivables, prepayments and deposits	104,209	79,775
Amounts due from subsidiaries	51,833	32,148
Amounts due from fellow subsidiaries	8,720	11,912
Pledged bank deposits	4,007	9,623
Bank balances and cash	49,555	91,756
	<b>635,635</b>	686,499
<b>Current liabilities</b>		
Trade payables	540,697	489,213
Other payables, accrued charges and other liabilities	361,917	378,207
Lease liabilities	489,570	555,494
Contract liabilities	43,625	38,442
Loans from ultimate holding company	416,357	229,659
Dividend payable	201	201
Amount due to ultimate holding company	26,415	21,936
Amounts due to fellow subsidiaries	9,413	8,707
	<b>1,888,195</b>	1,721,859
<b>Net current liabilities</b>	<b>(1,252,560)</b>	(1,035,360)
<b>Total assets less current liabilities</b>	<b>734,213</b>	1,386,351

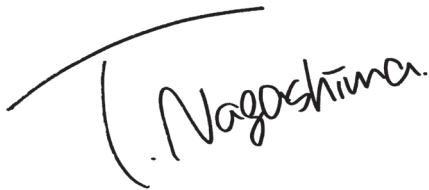
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2025

**35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)**

	<b>2025</b>	2024
	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>		
Rental deposits received and other liabilities	<b>71,112</b>	91,065
Lease liabilities	<b>855,330</b>	1,292,011
	<b>926,442</b>	1,383,076
<b>Net (liabilities)/assets</b>	<b>(192,229)</b>	3,275
<b>Capital and reserves</b>		
Share capital	<b>115,158</b>	115,158
Reserves	<b>(307,387)</b>	(111,883)
<b>Total (deficit)/equity</b>	<b>(192,229)</b>	3,275

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2026 and is signed on its behalf by:


**TAKENORI NAGASHIMA***Director*

**SHINYA HISANAGA***Director*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	<b>Investment revaluation reserve</b>	<b>Retained profits/ (accumulated losses)</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	18,348	151,591	169,939
Loss for the year	—	(283,611)	(283,611)
Fair value gain on investments in equity instruments at FVTOCI	1,789	—	1,789
Total comprehensive income for the year	1,789	(283,611)	(281,822)
Transfer between reserves upon disposal of equity investments	(9,033)	9,033	—
At 31 December 2024	<b>11,104</b>	<b>(122,987)</b>	<b>(111,883)</b>
Loss for the year	—	<b>(198,735)</b>	<b>(198,735)</b>
Fair value gain on investments in equity instruments at FVTOCI	<b>3,231</b>	—	<b>3,231</b>
Total comprehensive income for the year	<b>3,231</b>	<b>(198,735)</b>	<b>(195,504)</b>
Transfer between reserves upon disposal of equity investments	<b>(9,179)</b>	<b>9,179</b>	—
At 31 December 2025	<b>5,156</b>	<b>(312,543)</b>	<b>(307,387)</b>

### 36 COMMITMENTS

Outstanding at 31 December 2025 not provided for in the financial statements were as follows:

	<b>2025 HK\$'000</b>	2024 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>11,772</b>	29,482

In addition, the Group was committed at 31 December 2025 to enter into new leases which range to 15 years that are not yet commenced, the total lease payments under which amounted to \$4,570,000 per annum (2024: leases which range from 11 to 15 years with lease payments under which amounted to \$3,609,000 per annum).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 37 OPERATING LEASING ARRANGEMENTS

#### The Group as lessor

All of the properties held by the Group for rental purposes have committed licensees for the next 1 to 14 years (2024: next 1 to 14 years).

Undiscounted lease payments receivable on leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	177,319	231,113
In the second year	98,460	126,402
In the third year	50,817	60,050
In the fourth year	22,265	25,311
In the fifth year	12,070	10,857
After five years	16,058	19,149
	<b>376,989</b>	<b>472,882</b>

The leases are negotiated for terms ranging from 1 to 14 years (2024: 1 to 14 years). In addition to the minimum lease payments, the Group is entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

### 38 RETIREMENT BENEFITS SCHEMES

#### (a) Defined contribution retirement plans

The Company participates in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year amounting to HK\$20,397,000 (2024: HK\$21,310,000) are charged to the consolidated statement of profit or loss for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the MPF Scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions amounting to HK\$1,485,000 (2024: HK\$1,835,000) charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. Contributions paid or payable for these retirement benefits schemes for the year are HK\$65,265,000 (2024: HK\$59,178,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 38 RETIREMENT BENEFITS SCHEMES (Continued)

#### (b) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. The amount of LSP obligations is determined with reference to the employee's final salary and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 38(a)), subject to an overall cap per employee and the abolition of the offsetting mechanism with effect from 1 May 2025. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note 3.

### 39 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Relationship	Nature of transaction	2025 HK\$'000	2024 HK\$'000
Fellow subsidiaries	Commission fee for credit facilities provided to customers	22,350	24,053
	Franchise fee	343	369
	Trademark fee	6,941	12,226
	Other expenses	23,273	27,095
	Other income	4,581	6,346
	Purchase of goods and property, plant and equipment	32,065	18,438
	Interest on lease liabilities	13,048	13,786
	Repayment of lease liabilities	13,029	15,142
	Management fees and utilities expenses	19,846	20,027
	Rental income	23,570	23,827
	Sales of coupons	22,392	13,012
	Service fee expense	116,165	103,955
	Ultimate holding company	Royalty expenses	22,068
Interest expenses		8,200	1,236
Non-controlling shareholder of the subsidiary*	Interest on lease liabilities	1,794	3,021
	Repayment of lease liabilities	22,938	46,511
	Management fees and utilities expenses	8,334	12,256

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 39 RELATED PARTY TRANSACTIONS (Continued)

Outstanding balances as at the end of reporting periods arising from the above transactions with related parties are set out in the consolidated statement of financial position except for the following balances, which are included in other receivables, prepayments and deposits and, lease liabilities:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
Amounts due from fellow subsidiaries (included in other receivables, prepayments and deposits)	<b>2,360</b>	2,270
Amounts due to fellow subsidiaries (included in lease liabilities)	<b>232,608</b>	241,841
Amount due from a non-controlling shareholder of the subsidiary (included in other receivables, prepayments and deposits)	<b>3,751</b>	4,690
Amount due to a non-controlling shareholder of the subsidiary (included in lease liabilities)	<b>96,238</b>	24,146

Except for the amounts included in lease liabilities, amounts due from fellow subsidiaries and a non-controlling shareholder of the subsidiary is unsecured, interest free and has no fixed repayment term.

#### Compensation of key management personnel

The Group's key management personnel are all directors, details of their remuneration are disclosed in note 14.

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

### 40 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 32, net of cash and cash equivalents and deficit attributable to owners of the Company, comprising issued share capital and other reserves.

The Group's management review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with the issued share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2025 HK\$'000	2024 HK\$'000
Financial assets at amortised cost	983,352	1,214,490
Equity instruments at FVTOCI	5,819	12,549
Financial liabilities at amortised cost	2,165,196	2,052,381
Lease liabilities	3,144,478	3,463,864

#### (b) Financial risk management objectives and policies

The directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The management manages and monitors these risk exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The directors monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks in 2024 and 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS (Continued)

#### (c) Foreign currency risk management

Certain of the Group's purchases are denominated in foreign currencies other than the functional currencies of the operations to which they relate. They expose the Group to foreign currency risk and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities and intra-group balances at the reporting date is as follows:

	Assets		Liabilities	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
HKD	2	2	220	74
USD	983	4,411	23,654	18,386
JPY	2,864	5,082	464,633	265,208
RMB	326	5,521	412	—
Intra-group balances				
RMB	351,852	293,501	—	—

#### Foreign currency sensitivity

As HKD is pegged to USD, it is assumed that there would be no material currency risk exposure on between these two currencies. The directors of the Company considered that the Group's exposures to HKD and USD are limited. Accordingly, no sensitivity to fluctuation in HKD and USD are presented. The Group therefore is exposed to fluctuations in JPY and RMB.

The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rates to which the Group have significant exposure at the end of the reporting periods.

	2025			2024		
	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in loss after tax HK\$'000	Decrease/ (increase) in other comprehensive income HK\$'000	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in loss after tax HK\$'000	Decrease/ (increase) in other comprehensive income HK\$'000
JPY	10%	45,428	—	10%	25,510	—
	(10%)	(45,428)	—	(10%)	(25,510)	—
RMB	10%	7	35,185	10%	(461)	29,350
	(10%)	(7)	(35,185)	(10%)	461	(29,350)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS (Continued)

#### (c) Foreign currency risk management (Continued)

##### *Foreign currency sensitivity (Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables remain constant.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2024.

#### (d) Interest rate risk management

The Group is exposed to cash flow interest rate risk as the Group's bank balances are subject to floating interest rates. The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk. However, from time to time, if interest rates fluctuate significantly, appropriate measures would be taken to manage interest rate exposure.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate time deposits and lease liabilities. The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group's exposure to interest rates and financial liabilities is detailed in the liquidity risk management section of this note.

##### *Interest rate sensitivity*

Sensitivity analysis on bank balances is not presented as the management considers that the Group's exposure to interest rate fluctuation is insignificant.

#### (e) Other price risk

The Group is exposed to equity price risks through its investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The management will monitor the price movements and take appropriate actions when it is required.

##### *Equity price sensitivity*

The sensitivity analysis below have been determined based on the exposure to equity price risks in respect of equity instruments at FVTOCI at the reporting date. If the prices of the equity instruments at FVTOCI had been 5% (2024: 5%) higher/lower, while all other variables were held constant, the investment revaluation reserve would increase/decrease by approximately HK\$291,000 (2024: HK\$627,000) for the Group, as a result of the changes in fair value of equity instruments at FVTOCI.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS (Continued)

#### (f) Credit risk

The carrying amounts of pledged bank deposits, rental deposits, other receivables, amounts due from fellow subsidiaries, time deposits and bank balances best represent the maximum exposure to credit risk. The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and receivables represent mainly credit card receivables from finance companies.

#### ***Credit card receivables from finance institutions***

Retail sales are mainly on a cash basis, either in cash, debit card, credit card or electronic payment methods. Where transactions are conducted other than on a cash basis, the Group practices stringent credit reviews. The Group performs impairment assessment using lifetime ECL individually for debtors with significant balance and collectively. The Group considered the credit risk on the receivables is limited because counterparties are banks/financial institutions with high external credit ratings assigned by international credit rating agencies. Therefore, the allowance for credit risk of trade and other receivables was immaterial.

#### ***Amounts due from fellow subsidiaries***

The credit terms for the amounts due from fellow subsidiaries are made in accordance with the relevant agreements and there are no significant overdue debts as at the end of the reporting period. The Group performs impairment assessment using lifetime ECL for trade-related amount due from a fellow subsidiary, which is a financing institution in Hong Kong, and 12m ECL for other non-trade related balances individually. The Group considered all the counterparties have a low risk of default and do not have any material past-due amounts. Therefore, the allowance for credit risk of amounts due from fellow subsidiaries was immaterial and no provision was made.

#### ***Other receivables and rental deposits***

The Group makes periodic individual assessment on 12m ECL of other receivables and rental deposits based on historical settlement records, past experience and external credit ratings, if any. The Group believes that there are no significant increase in credit risk of these amounts since initial recognition. Specific loss allowance of rental deposits with default amounted to HK\$2,818,000 (2024: HK\$nil) was recognised during the year ended 31 December 2025. Except for this, other receivables and rental deposits were considered to be of low credit risk and thus no ECL was recognised.

#### ***Pledged bank deposits, time deposits and bank balances***

The credit risk on pledged bank deposits, time deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits, time deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The relevant 12m ECL is considered to be immaterial and no provision was made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS (Continued)

#### (g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, working capital and banking facilities.

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\$1,560,104,000 (2024: HK\$1,199,273,000) at 31 December 2025 and incurred net cash outflow in respect of operating activities and lease liabilities for the year then ended. The directors of the Company have reviewed the cash flow forecast prepared by management to evaluate the Group's ability to continue as a going concern. Based on the cash flow forecast, the directors of the Company consider 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 next twelve months from 31 December 2025. Note 3.1 further explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	6 months or less HK\$'000	6 to 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows amount HK\$'000	Carrying amount HK\$'000
<b>2025</b>							
Lease liabilities	3.00% - 7.89%	449,792	398,194	1,971,006	936,236	3,755,228	3,144,478
Non-interest bearing financial liabilities		1,488,238	17,869	153,354	58,347	1,717,808	1,717,808
Loan from ultimate holding company	2.50% - 2.55%	418,103	–	–	–	418,103	416,357
		<b>2,356,133</b>	<b>416,063</b>	<b>2,124,360</b>	<b>994,583</b>	<b>5,891,139</b>	<b>5,278,643</b>
<b>2024</b>							
Lease liabilities	3.95% - 9.90%	471,543	442,168	2,097,579	928,598	3,939,888	3,463,864
Non-interest bearing financial liabilities		1,568,240	21,890	182,291	49,269	1,821,690	1,821,690
Loan from ultimate holding company	1.89%	231,833	–	–	–	231,833	229,659
		<b>2,271,616</b>	<b>464,058</b>	<b>2,279,870</b>	<b>977,867</b>	<b>5,993,411</b>	<b>5,515,213</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 41 FINANCIAL INSTRUMENTS (Continued)

#### (h) Fair value of financial instruments

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

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

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

#### *Fair value measurements recognised in the consolidated statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	
	2025 HK\$'000	2024 HK\$'000
Equity instruments at FVTOCI		
Listed equity securities	5,819	12,549

There were no transfers between levels in both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 42 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK\$'000	Lease liabilities HK\$'000	Loan from ultimate holding company HK\$'000	Interest accruals (Note) HK\$'000	Total HK\$'000
At 1 January 2024	206	3,208,794	—	—	3,209,000
Financing cash flows	(381)	(970,316)	220,859	—	(749,838)
<i>Non-cash changes</i>					
New leases entered/leases modified	—	1,495,586	—	—	1,495,586
Lease early terminated	—	(461,463)	—	—	(461,463)
Dividend paid to non-controlling shareholders	376	—	—	—	376
Interest on lease liabilities	—	214,798	—	—	214,798
Interest expense	—	—	—	1,236	1,236
Exchange realignment	—	(23,535)	8,800	(4)	(14,739)
At 31 December 2024	<b>201</b>	<b>3,463,864</b>	<b>229,659</b>	<b>1,232</b>	<b>3,694,956</b>
Financing cash flows	—	(974,969)	195,008	(2,987)	(782,948)
<i>Non-cash changes</i>					
New leases entered/leases modified	—	418,202	—	—	418,202
Lease early terminated	—	(386)	—	—	(386)
Interest on lease liabilities	—	210,044	—	—	210,044
Interest expense	—	—	—	8,190	8,190
Exchange realignment	—	27,723	(8,310)	(248)	19,165
At 31 December 2025	<b>201</b>	<b>3,144,478</b>	<b>416,357</b>	<b>6,187</b>	<b>3,567,223</b>

Note: Interest accruals are included in "amount due to ultimate holding company".

### 43 PARTICULARS OF SUBSIDIARIES OF THE COMPANY

#### (a) General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting periods are set out below:

Name	Form of business structure	Place of registration or operation principal place of business	Paid up registered/ordinary share capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a non-controlling interest	Proportion of voting power held by a non-controlling interest	Profit/(loss) allocated to a non-controlling interest		Accumulated non-controlling interest		Principal activities
				2025 & 2024	2025 & 2024	2025 & 2024	2025 & 2024	2025	2024	2025	2024	
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Guangdong AEON Teem Co., Ltd. ("Guangdong AEON")	Sino-foreign equity joint venture (note)	Chinese Mainland	RMB247,156,000 (2024: RMB247,156,000)	65%	65%	35%	34%	(29,703)	(2,651)	70,492	98,844	Retail stores
AEON South China Co., Ltd. ("AEON South China")	Wholly-owned foreign enterprise	Chinese Mainland	RMB281,800,000 (2024: RMB252,800,000)	100%	100%	—	—	—	—	—	—	Retail stores
Jusco Stores (Hong Kong) Co., Limited	Incorporated	Hong Kong	HK\$1,000 (2024: HK\$1,000)	100%	100%	—	—	—	—	—	—	Inactive

None of the subsidiaries had issued any debt securities at the end of the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 43 PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

#### (a) General information of subsidiaries (Continued)

Note: Guangdong AEON was established in 1995 which is held as to 65% by the Company and 35% by Guangdong Yuehai Teemall Department Stores Holdings Limited (廣東粵海天河城百貨發展有限公司) ("Teemall Department Stores"), a PRC state-owned company, as a sino-foreign equity joint venture. With original joint venture agreement expired on 11 December 2025 and with supplement agreement extending the joint venture to 30 June 2026, Teemall Department Stores intends to exit of its investment in the Target Company through public tender and the Company intends to enter into a bid to acquire the 35% equity interest of Guangdong AEON thereon. The Directors of Company are in the view that Guangdong AEON would be able to continue operate.

#### (b) Details of non-wholly owned subsidiaries that have material non-controlling interest

Summarised financial information in respect of Guangdong AEON that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2025 HK\$'000	2024 HK\$'000
Current assets	930,832	1,123,058
Non-current assets	1,459,755	1,149,497
Current liabilities	1,040,305	1,087,618
Non-current liabilities	1,141,854	895,623
Equity attributable to owners of the Company	137,936	190,470
Non-controlling interest	70,492	98,844
Revenue	3,772,650	3,810,546
Expenses	3,857,517	3,818,119
Loss for the year	(84,867)	(7,573)
Loss attributable to owners of the Company	(55,164)	(4,922)
Loss attributable to a non-controlling interest	(29,703)	(2,651)
Loss for the year	(84,867)	(7,573)
Other comprehensive income attributable to owners of the Company	2,630	(2,783)
Other comprehensive income attributable to a non-controlling interest	1,351	(1,440)
Other comprehensive income for the year	3,981	(4,223)
Total comprehensive income attributable to owners of the Company	(52,534)	(7,705)
Total comprehensive income attributable to a non-controlling interest	(28,352)	(4,091)
Total comprehensive income for the year	(80,886)	(11,796)
Dividend paid to a non-controlling interest	—	376
Net cash inflow from operating activities	169,840	233,378
Net cash outflow from investing activities	(37,534)	(41,698)
Net cash outflow from financing activities	(202,038)	(220,875)
Net decrease in cash and cash equivalents	(69,732)	(29,195)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

### 44 EVENTS AFTER THE REPORTING PERIOD

Apart from the events disclosed Note 33, after the end of the reporting period, the Company has drawdown from AEON Co., Ltd, its ultimate holding company, amounting to (i) HK\$65,632,000 drawdown in February 2026 will be repayable on 30 June 2026, (ii) HK\$62,942,000 drawdown in January 2026 will be repayable on 28 February 2027, respectively.

## FINANCIAL SUMMARY

### THE GROUP

	For the year ended 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
<b>RESULTS</b>					
Revenue	9,554,854	9,571,321	8,692,870	8,095,338	<b>7,795,154</b>
Loss before tax	(489,904)	(219,518)	(185,280)	(338,534)	<b>(351,460)</b>
Income tax expense	(13,293)	(5,198)	(2,522)	(2,187)	<b>(2,594)</b>
Loss for the year	(503,197)	(224,716)	(187,802)	(340,721)	<b>(354,054)</b>

	At 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
<b>ASSETS AND LIABILITIES</b>					
Total assets	7,454,051	6,037,518	5,579,006	5,455,315	<b>4,909,641</b>
Total liabilities	(7,131,361)	(5,935,644)	(5,673,433)	(5,886,056)	<b>(5,695,526)</b>
	322,690	101,874	(94,427)	(430,741)	<b>(785,885)</b>
Equity/(deficit) attributable to:					
Owners of the Company	203,444	(274)	(197,738)	(529,585)	<b>(856,377)</b>
Non-controlling interest	119,246	102,148	103,311	98,844	<b>70,492</b>
	322,690	101,874	(94,427)	(430,741)	<b>(785,885)</b>