AEON STORES (HONG KONG) CO., LIMITED
永旺(香港)百貨有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 984)

2026 INTERIM RESULTS

The Board of Directors (the "Board") of AEON Stores (Hong Kong) Co., Limited (the "Company") herewith announces the unaudited results of the Company and its subsidiaries (the "Group" or "AEON") for the six months ended 30 June 2026 together with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2026

		Six months ended	
	NOTES	**30.6.2026**	30.6.2025
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Revenue	3	**3,859,506**	3,930,714
Other income	4	**226,883**	218,487
Investment income		**2,040**	5,432
Interest income from rental deposits		**6,840**	6,032
Purchase of goods and changes in inventories		**(2,812,156)**	(2,829,827)
Staff costs		**(474,479)**	(417,893)
Depreciation of investment properties		**(36,382)**	(36,429)
Depreciation of property, plant and equipment		**(69,415)**	(70,791)
Depreciation of right-of-use assets		**(306,808)**	(334,687)
Leases expenses		**(46,548)**	(30,309)
Other expenses	6	**(521,076)**	(525,889)
Pre-operating expenses		**(1,082)**	(5,606)
Other gains and losses	5	**5,323**	(21,866)
Finance costs		**(9,760)**	(2,987)
Interest on lease liabilities		**(93,872)**	(110,010)
Loss before tax		**(270,986)**	(225,629)
Income tax expense	7	**(3,536)**	(743)
Loss for the period		**(274,522)**	(226,372)
Loss for the period attributable to:			
Owners of the Company		**(239,003)**	(217,394)
Non-controlling interest		**(35,519)**	(8,978)
		(274,522)	(226,372)
Loss per share (basic and diluted)	9	**(91.92) HK cents**	(83.61) HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Six months ended	
	30.6.2026	30.6.2025
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(274,522)**	(226,372)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value gain on investments in equity instruments measured at fair value through other comprehensive income ("FVTOCI")	**967**	3,128
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong	**(16,772)**	(1,940)
Other comprehensive income for the period, net of income tax	**(15,805)**	1,188
Total comprehensive income for the period	**(290,327)**	(225,184)
Total comprehensive income for the period attributable to:		
Owners of the Company	**(257,501)**	(216,932)
Non-controlling interest	**(32,826)**	(8,252)
	(290,327)	(225,184)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2026

	NOTES	30.6.2026 HK$'000 (unaudited)	31.12.2025 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**437,501**	453,930
Right-of-use assets		**2,124,992**	2,284,677
Investment properties		**345,245**	356,886
Equity instruments at FVTOCI		**6,787**	5,819
Time deposits		**-**	2,960
Pledged bank deposits		**32,735**	30,585
Deferred tax assets		**18,933**	19,301
Rental and related deposits		**195,687**	198,257
		3,161,880	3,352,415
Current assets			
Inventories		**738,852**	773,021
Receivables, prepayments and deposits		**201,566**	151,778
Amounts due from fellow subsidiaries		**18,334**	10,937
Time deposits		**218,759**	208,304
Pledged bank deposits		**9,197**	12,645
Bank balances and cash		**401,361**	400,541
		1,588,069	1,557,226
Current liabilities			
Trade payables	11	**1,108,370**	1,027,884
Other payables, accrued charges and other liabilities		**583,982**	585,772
Lease liabilities		**677,753**	682,901
Contract liabilities		**351,808**	352,458
Dividend payable		**201**	201
Amount due to ultimate holding company		**39,634**	26,415
Loan from ultimate holding company		**787,471**	416,357
Amounts due to fellow subsidiaries		**34,427**	25,154
Tax payable		**196**	188
		3,583,842	3,117,330
Net Current liabilities		**(1,995,773)**	(1,560,104)
Total assets less current liabilities		**1,166,107**	1,792,311
Non-current liabilities			
Rental deposits received and other liabilities		**117,348**	116,619
Lease liabilities		**2,299,860**	2,461,577
		2,417,208	2,578,196
Net liabilities		**(1,251,101)**	(785,885)
Capital and reserves			
Share capital		**115,158**	115,158
Reserves		**(1,366,259)**	(971,535)
Deficit attributable to owners of the Company		**(1,251,101)**	(856,377)
Non-controlling interest	12	**-**	70,492
Total deficit		**(1,251,101)**	(785,885)

NOTES:

1. BASIS OF PREPARATION

The interim results set out in this preliminary announcement do not constitute the Group’s interim financial report for the six months ended 30 June 2026 but are extracted from that interim financial report. The interim financial report has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 31 December 2025 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

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

The Company’s auditor has reported on those consolidated financial statements. The auditor report included a reference to material uncertainty related to going concern to which the auditor drew attention without qualifying its report; the auditor’s report was unqualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

During the period ended 30 June 2026, the Group incurred a loss of HK$274,522,000 and net cash outflow in respect of operating activities and lease liabilities of HK$177,911,000. As at 30 June 2026, the Group has net current liabilities of HK$1,995,773,000.

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 projections prepared by management which covers at least twelve months from 30 June 2026. Management’s cash flow projections include assumptions with regards to the anticipated cash flows generated from and used in the Group’s operations and related capital expenditures and a continued financial support from its immediate and ultimate holding company, AEON Co., Ltd., including but not limited to the extension of the repayment of inter-company loan amounting to HK$787,471,000 and the additional sufficient financial resources to enable the Group to continue its operations and to meet its liabilities as and when they fall due.

2. CHANGES IN ACCOUNTING POLICIES

The interim financial report has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2026 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2025.

2 CHANGES IN ACCOUNTING POLICIES - continued

Application of amendments to HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA to this unaudited interim financial information for the current accounting period:

Amendment to HKFRS 9 and HKFRS 7	Financial instruments and Financial instruments: disclosures - Contracts referencing nature-dependent electricity
Amendment to HKFRS 9 and HKFRS 7	Financial instruments and Financial instruments: disclosures - Amendments to the classification and measurement of financial instruments

Annual improvements to HKFRS Accounting Standards - Volume 11

The amendments do not have a material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the interim financial report.

3. REVENUE AND SEGMENT INFORMATION

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

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

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2026		
	Hong Kong HK$'000	**Chinese Mainland HK$'000**	**Total HK$'000**
Direct sales	**1,656,089**	**1,997,516**	**3,653,605**
Income from concessionaire sales	**117,883**	**88,018**	**205,901**
	1,773,972	**2,085,534**	**3,859,506**

	Six months ended 30 June 2025		
	Hong Kong HK$'000	Chinese Mainland HK$'000	Total HK$'000
Direct sales	1,663,378	2,044,964	3,708,342
Income from concessionaire sales	120,750	101,622	222,372
	1,784,128	2,146,586	3,930,714

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

3. REVENUE AND SEGMENT INFORMATION - continued

For the six months ended 30 June 2026

	Hong Kong HK$'000	Chinese Mainland HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue - external	**1,773,972**	**2,085,534**	**-**	**3,859,506**
Inter-segment sales	**-**	**-**	**-**	**-**
	1,773,972	**2,085,534**	**-**	**3,859,506**
Segment loss	**(117,246)**	**(146,020)**	**-**	**(263,266)**
Investment income				**2,040**
Finance costs				**(9,760)**
Loss before tax				**(270,986)**

For the six months ended 30 June 2025

	Hong Kong HK$'000	Chinese Mainland HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue - external	1,784,128	2,146,586	-	3,930,714
Inter-segment sales	-	4,611	(4,611)	-
	1,784,128	2,151,197	(4,611)	3,930,714
Segment loss	(162,024)	(66,050)	-	(228,074)
Investment income				5,432
Finance costs				(2,987)
Loss before tax				(225,629)

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

4 OTHER INCOME

	Six months ended 30.6.2026 HK$'000	Six months ended 30.6.2025 HK$'000
Rental income from investment properties	**148,745**	155,300
Government grant	**102**	360
Management fee and other income from lessees	**32,745**	32,635
Revenue from scrap sales	**1,351**	1,355
Platform collaboration income	**21,745**	16,861
Others	**22,195**	11,976
	226,883	218,487

5 OTHER GAINS AND LOSSES

	Six months ended 30.6.2026 HK$'000	30.6.2025 HK$'000
Exchange gain/(loss), net	**15,116**	(21,089)
Loss on disposal/write-off of property, plant and equipment	**(567)**	(777)
Loss on early termination of right-of-use assets	**(9,226)**	-
	5,323	(21,866)

6 OTHER EXPENSES

	Six months ended 30.6.2026 HK$'000	30.6.2025 HK$'000
Advertising, promotion and selling expenses	**148,393**	148,583
Maintenance, repair and building management fees	**172,070**	181,956
Administrative expenses	**116,861**	114,171
Utilities expenses	**68,843**	66,346
Others	**14,909**	14,833
	521,076	525,889

7 INCOME TAX EXPENSE

	Six months ended 30.6.2026 HK$'000	30.6.2025 HK$'000
The charge comprises:		
Current tax		
PRC withholding tax	**2,320**	89
Deferred tax	**1,216**	654
Income tax expense for the period	**3,536**	743

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2026 and 30 June 2025 since the Company incorporated in Hong Kong sustained losses for tax purpose.

No provision for PRC Enterprise Income Tax is made for the six months ended 30 June 2026 and 30 June 2025 since the subsidiaries incorporated in Chinese Mainland have sustained losses for tax purpose or the tax losses brought forward exceed the estimated assessable profits. Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Chinese Mainland subsidiaries is 25% from 1st January 2008 onwards.

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

8 DIVIDEND

No dividend was paid or proposed for ordinary Shareholders during the six months ended 30 June 2026 and 2025, nor has any dividend proposed after the reporting period.

9 LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the Group's loss for the period attributable to the owners of the Company of HK$239,003,000 (six months ended 30 June 2025: loss of HK$217,394,000) and on 260,000,000 (six months ended 30 June 2025: 260,000,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as there are no potential dilutive shares outstanding for both periods.

10 ACCOUNTS RECEIVABLE

The Group's accounts receivable arise from retail sales transactions settled by credit cards or other electronic payment methods. The average settlement period for the proceeds receivable from those credit cards and other electronic payments service providers is 10 days. Based on the ageing of accounts receivable as determined based on invoice date, HK$24,344,000 (31 December 2025: HK$25,933,000) is due within 30 days. There are no significant overdue balances of those accounts receivable at the end of reporting period and no default is expected.

11 TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of reporting period:

	30.6.2026	31.12.2025
	HK$'000	HK$'000
0 to 60 days	**989,477**	876,726
61 to 90 days	**35,862**	55,066
Over 90 days	**83,031**	96,092
	1,108,370	1,027,884

12 ACQUISITION OF NON-CONTROLLING INTEREST OF A SUBSIDIARY

During the six months ended 30 June 2026, the Group entered into an equity transfer agreement with the non-controlling interest shareholder of a subsidiary, pursuant to which the Group agreed to acquire 35% equity interests of AEON (Guangdong) Co., Ltd. for the consideration of HK$174,889,000. The acquisition has been completed on 24 June 2026. Upon completion of the acquisition, AEON (Guangdong) Co., Ltd. is a wholly-owned subsidiary of the Group.

13 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company has drawn down a loan from AEON Co., Ltd, its ultimate holding company, amounting to HK$57,228,000 in July 2026. The shareholder loan is unsecured and is repayable on 28 February 2027.

BUSINESS REVIEW

In the first half of 2026, the global economy maintained moderate growth amid geopolitical developments, changes in the trade environment and market uncertainties. The Hong Kong economy continued to recover, supported by a stable labor market, improved household income and rising visitor arrivals, with retail sentiment picking up from last year. In the Chinese Mainland, while macroeconomic growth continued, market demand remained weak. Competition in the retail sector further intensified, pricing pressure continued to rise, and the overall operating environment was more challenging than in the same period last year. In response to challenges, including structural changes in Hong Kong's retail market and a weaker-than-expected consumption recovery in the Chinese Mainland, the Group has not relied simply on improving market conditions; instead, it has continued to implement a series of reform initiatives, including merchandise reform, digital transformation and operating structure optimization. During the period, reforms in the Hong Kong operations have begun to deliver results, with improved revenue performance and a significant narrowing of losses. Meanwhile, the performance of the Chinese Mainland operations fell short of management expectations. The Group will face these challenges candidly and accelerate store optimization, merchandise structure reform and cost control, while regarding the enhancement of profitability, cash flow and capital efficiency as key priorities for future development.

Hong Kong Operations

The Hong Kong economy performed strongly in the first half of 2026. According to advance estimates, real GDP grew by 4.3% year-on-year in the second quarter, following growth of 5.9% in the first quarter. The Government expects the economy to continue growing steadily in the second half of the year. Compared with the same period in 2025, the provisional estimate for Hong Kong's total retail sales value rose by 9.6% in the first half of 2026, indicating that the local retail sector has maintained positive momentum. Although the retail market continued to face structural challenges, including Hong Kong residents traveling outbound and spending up north as well as online shopping, the Group improved the profitability of its Hong Kong operations by focusing on core merchandise categories, increasing the contribution of private brand products, continuously enhancing store operating efficiency, and optimizing its cost structure.

During the period, the Group continued to deepen merchandise reform and strengthen the competitiveness of its private brand products. Sales of private brand merchandise continued to achieve year-on-year growth, with their share of total sales also increasing. In addition to the ongoing development of private brands such as TOPVALU, HÓME CÓORDY, TOPVALU COLLECTION, SELF+SERVICE and ESSEME, the Group has further optimized its merchandise mix and enhanced product differentiation to meet consumers' demand for products that offer high value for money. To celebrate AEON Incorporation 100 Years, the Group launched a major anniversary promotional campaign during the period, attracting customers through various promotional initiatives and special offers. At the same time, the Group continued to organize distinctively themed promotional events, such as the Vietnamese Fair to introduce a wider range of unique overseas products. It also actively launched co-branded products featuring popular IP characters to enhance merchandise appeal and the shopping experience while further strengthening its brand differentiation advantages.

Digital transformation has evolved from a tool solely used for raising efficiency into an important foundation for improving customer experiences and business decision-making. The Group will continue to leverage data analytics to increase the precision of merchandise management, marketing campaigns and membership operations, while further bolstering its online-to-offline integration capabilities. The Group will also enhance operational efficiency and shopping experience by expanding applications such as self-checkout systems, electronic price tags, X-Trolley smart shopping carts and SSE Loss Prevention System. In addition, it continues to enhance the functionality of the AEON APP and its membership platform. During the period, the e-commerce business maintained strong growth, with online sales increasing by 32.3% year-on-year. In particular, sales through AEONCITY rose by 86.4% year-on-year.

BUSINESS REVIEW– continued

Hong Kong Operations– continued

In terms of store expansion, the Group continued to focus on the specialty store model, which offers higher profitability. During the period, five new AEON Mono Mono stores were added. At the same time, the Group prudently reviewed its store network and asset allocation, electing to terminate the lease agreement for the Kowloon City store ahead of schedule to further optimize its store portfolio and resource utilization. As for operational management, the Group continued to advance its structural reform plan by optimizing its supply chain and warehousing network, improving logistics efficiency and strengthening cost management to raise overall operational efficiency. It also improved store cost efficiency through measures such as revitalization and renovation, as well as the optimization of leasing arrangements.

In the first half of the year, although the Group's early termination of the lease agreement for the Kowloon City store had a certain negative impact on revenue, the profitability of the Group's Hong Kong operations continued to improve, with revenue only slightly down by 0.6% to HK$1,774.0 million (2025 1H: HK$1,784.1 million). Driven mainly by greater operational efficiency and an improved cost structure, loss from the Hong Kong operations narrowed by 27.7% to HK$117.2 million (2025 1H: loss of HK$162.0 million).

Chinese Mainland Operations

The Chinese Mainland's GDP expanded by 4.3% year-on-year in the second quarter of 2026, representing a 0.7 percentage point slowdown from the growth rate achieved in the first quarter. In the first half of the year, GDP grew by 4.7% year-on-year. During the same period, Guangdong Province's GDP grew by 4.5% compared with the same period last year to RMB7,228.1 billion; the total retail sales of consumer goods in the province also increased by 1.3% year-on-year. Although the Guangdong economy remained resilient, the retail sector faced pressure from a combination of factors, including adjustments in the real estate market, concerns over employment and income prospects, and intensifying price competition, which made consumers more cautious overall.

The Group believes that the performance of the Chinese Mainland operations during the period fell short of management's expectations, and that changes in market competition and the consumption environment posed clear challenges to operations. In response to operating pressures, the Group will accelerate store optimization, merchandise structure reform and cost control in a more candid and pragmatic manner, while continuing to review its store network, merchandise and merchant mix, and operating costs to improve resource allocation and operational quality. During the period, the Group acquired the remaining 35% equity interest in Guangdong AEON Teem Co., Ltd.("AEON Guangdong") from Teemall Department Stores to strengthen resource integration across its Chinese Mainland operations. At the same time, the Group continued to review store performance and enhance its network in response to market changes. As a result, AEON Zhuhai Yangming Plaza Store ceased operations during the period upon the expiry of its lease agreement. The Group will continue to advance product mix reforms, store network restructuring, supply chain optimization and cost structure improvement to lay the foundation for a return to profitability.

Revenue from the Chinese Mainland operations decreased by 2.8% to HK$2,085.5 million in the first half of the year (2025 1H: HK$2,146.6 million), with a loss incurred amounting to HK$146.0 million (2025 1H: loss of HK$66.1 million).

PROSPECTS

Hong Kong Operations

Looking ahead to the second half of the year, the Group remains cautiously optimistic about the Hong Kong market. Although structural challenges such as northbound consumption and cross-border e-commerce are expected to persist, the Group believes that by continuing to advance its product differentiation strategy, deepen member engagement and accelerate digital transformation, it will remain capable of achieving revenue growth and improving profitability. We will continue to adhere to a customer-centric approach and drive development through reform to further enhance the Company's long-term competitiveness.

PROSPECTS– continued

Hong Kong Operations– continued

In terms of sales, the Group will continue to expand its e-commerce business, deepen the integrated online-and-offline development model, and continue to improve AEON APP, AEONCITY, and its self-pickup and delivery services to enhance shopping convenience and customer engagement. At the same time, the Group will leverage the AEON Incorporation 100 Years to launch a range of marketing initiatives, including large-scale themed promotional campaigns, member-exclusive promotions and merchandise featuring popular IP collaborations. These initiatives will attract customers across different age groups and consumer segments, further driving customer traffic and sales.

As for product strategy and profitability, the Group will continue to increase the market penetration of its private brand products and further expand the product portfolio of TOPVALU and other core private brands. Concurrently, the Group will actively expand its direct import business. By strengthening its global sourcing capabilities and optimizing procurement processes, the Group will enhance product differentiation and procurement efficiency, thereby further improving the gross margins of products and overall profitability.

In addition, the Group will continue to implement its “differentiation + high-return” development strategy, actively expand its specialty stores, and plans to open five new AEON Mono Mono stores in the second half of the year. Regarding the leasing business, the Group will actively enhance tenant acquisition efficiency and optimize its tenant mix to increase stable, recurring non-retail income streams.

In terms of cost management and operational efficiency, the Group will further advance its operational reform measures. In logistics, it will optimize its distribution network and warehouse operating model to boost logistics efficiency and reduce related costs. In administration, the Group will enhance operational efficiency through digital transformation, workflow optimization and organizational restructuring, while further reforming store back-end operations. In addition, the Group will continue to bolster expense controls to optimize its cost structure.

Concerning digital transformation, the Group will continue to promote the application of digital and intelligent technologies in store operations to enhance operational efficiency and improve the customer experience. Meanwhile, the Group will join the upgraded AEON Bonus Point Program launched by AEON Credit Service (Asia) Company Limited, with the two parties working together to build the AEON ecosystem and further strengthen synergies between retail and financial services. This initiative is not only an integration of membership systems, but also a significant milestone in the Group’s development of a unified customer ecosystem. By integrating member resources and consumption data across its various business segments, the Group will be better positioned to understand customer needs, enhance personalized marketing capabilities and increase customer lifetime value, thereby establishing a more competitive omnichannel retail model and laying a more solid foundation for future sustainable growth.

Chinese Mainland Operations

The global geopolitical landscape is expected to remain complex in the second half of the year, with uncertainties regarding international trade barriers and tariffs persisting, along with variables affecting external supply chains and the macroeconomic environment. Against the backdrop of continued policy support in China to boost domestic demand and stimulate consumption, the retail market is poised for gradual improvement. We therefore believe that the retail market in the Chinese Mainland is entering a new phase of structural adjustment.

As the Group proceeds with acquiring the remaining equity interest in AEON Guangdong in the first half of the year to achieve full ownership, it will further integrate its operations in South China and Guangdong to boost operational efficiency and economies of scale. Building on this, the Group plans to open three AEON Supermarkets in the GBA, including Zhuhai, Foshan and Guangzhou, to improve its retail network coverage in key regions. Also, the Group will continue to optimize its product and merchant mix, strengthen leasing management, increase tenant revenue and reduce vacancy rates. At the same time, it will make every effort to enhance operational performance by increasing the proportion of private brand products, strengthening product differentiation and deepening cost control.

PROSPECTS– continued

Chinese Mainland Operations– continued

The Group remains customer-centric and proactively advances merchandise structure reform, expansion of private brands, supply chain optimization, digital transformation, store network restructuring and cost structure improvement, so as to enhance business resilience and adaptability to market changes. Going forward, the Group will continue to receive support from AEON CO., LTD. and actively advance capital structure and liquidity management to enhance financial stability and support future development. The Group will no longer pursue scale growth alone, but will place greater emphasis on profitability, cash flow and capital efficiency, with the enhancement of long-term corporate value as its core objective, striving to create sustainable value for shareholders, customers, employees and other stakeholders.

Group

Under the 2026 investment plan, the Group's total capital expenditure on new store openings, store renovations, and information technology system upgrades in the second half of the year is estimated to be approximately HK$64.1 million.

Save as mentioned above or otherwise disclosed, there have been no material events affecting the Group's business from 30 June 2026 up to the date of authorization for the release of these consolidated financial statements.

FINANCIAL REVIEW

In the first half of the year 2026, the Group's revenue decreased by 1.8% year-on-year to HK$3,859.5 million (2025: HK$3,930.7 million). Gross profit margin dropped by 0.9 percentage points to 27.1% (2025: 28.0%).

As for other income, income derived from sub-leases and other income increased by HK$8.7 million (2025: decreased by HK$16.9 million) contributed by the increase of platform collaboration income and others in the period. Other income resulted in an overall increase by 3.8% as compared with last period.

For operating expenses during the period under review, the Group's staff cost increased by 13.5% and its ratio to revenue increased to 12.3% (2025: 10.6%). Expenses related to leases decreased by 5.4% and the ratio of expenses to revenue decreased to 12.5% (2025: 13.0%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses (including building management fee), utility expenses, administrative expenses and other expenses, decreased by 0.9% in the first half of 2026 compared to the same period in 2025 and the ratio of other operating expenses to revenue was 13.5% (2025: 13.4%).

Included in other gains and losses, amongst others, was exchange gain of HK$15.1 million (2025: exchange loss of HK$21.1 million). No impairment loss for the six months ended 30 June 2026 and 2025 has been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets respectively.

Due to the above changes, loss attributable to owners of the Company for the period under review was HK$239.0 million (2025: loss of HK$217.4 million), representing an increase of loss of HK$21.6 million.

The Group's adjusted EBITDA[1] for the period was loss HK$226.9 million (2025: loss HK$158.3 million), loss increased by HK$68.6 million.

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 has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2026 (2025: HK$ nil).

During the period, capital expenditure on opening new stores and store renovation in Hong Kong and Chinese Mainland and the upgrade of information technology systems amounted to HK$40.8 million.

FINANCIAL REVIEW– continued

The Group also entered into new lease agreements and lease modifications in the review period and recognized additional HK$101.4 million (2025: HK$170.0 million) of right-of-use assets and HK$98.8 million (2025: HK$172.3 million) of lease liabilities.

As at 30 June 2026, the Group held cash and bank balances and short-term time deposits amounting to HK$620.1 million (31 December 2025: HK$608.8 million) and the gearing ratio (which is calculated on the basis of loan from ultimate holding company divided by total deficit) was -62.94% (31 December 2025: -52.98%).

As at 30 June 2026, deposits of HK$34.4 million (31 December 2025: HK$ 36.1 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$7.5 million (31 December 2025: HK$7.2 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2026 amounted to HK$2,977.6 million (31 December 2025: HK$3,144.5 million), of which HK$677.8 million (31 December 2025: HK$682.9 million) is payable within one year.

As at 30 June 2026, the Group's current liabilities exceeded its current assets by HK$1,995.8 million (31 December 2025: net current liabilities of HK$1,560.1 million). The directors considered that the Group has sufficient financial sources available to fund its operations in the foreseeable future and will be able to meet its financial obligations when they fall due.

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

Reconciliation of Adjusted EBITDA

	Six months ended	
	30.6.2026	**30.6.2025**
	HK$'000	**HK$'000**
Loss for the period	(274,522)	(226,372)
Adjusting items for EBITDA		
Income tax expenses	3,536	743
Depreciation of investment properties	36,382	36,429
Depreciation of property, plant and equipment	69,415	70,791
Depreciation of rights-of-use assets	306,808	334,687
Interest on lease liabilities	93,872	110,010
Investment income	(2,040)	(5,432)
Interest income from rental deposits	(6,840)	(6,032)
Other gains and losses	(5,323)	21,866
Finance costs	9,760	2,987
Items for adjusted EBITDA		
Repayment of lease liabilities (included in consolidated cash flow statement) *	(364,071)	(387,997)
Interest on lease liabilities*	(93,872)	(110,010)
Rounding	-	5
Adjusted EBITDA	(226,895)	(158,325)

* 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 30 June 2026, the Group had approximately 4,923 full-time and 3,662 part-time employees in Hong Kong and Chinese Mainland. Under the "Everything we do, we do for our customers" credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group's ultimate goal is to build AEON into a brand that benefits all customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2026, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2026 and up to the date hereof, the Company does not hold any treasury shares.

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 six months ended 30 June 2026 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Board has complied throughout the six months ended 30 June 2026 with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries with all Directors, the Company confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2026.

The Audit Committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2026 with management.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2026 containing all the information as required by the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively and copies will be dispatched to the shareholders of the Company in due course.

By Order of the Board
AEON Stores (Hong Kong) Co., Limited
Tsukasa KONNO
Chairman

Hong Kong, 27 August 2026

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