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)

2024 ANNUAL RESULTS

The Board of Directors (the "Board") of AEON Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group" or "AEON") for the year ended 31 December 2024 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	**2024**	2023
		HK$'000	HK$'000
Revenue	3	**8,095,338**	8,692,870
Other income	5	**478,948**	483,092
Investment income		**16,715**	26,137
Interest income from rental deposits		**11,023**	11,215
Purchase of goods and changes in inventories		**(5,755,960)**	(6,154,497)
Staff costs		**(965,101)**	(1,013,050)
Depreciation of investment properties		**(64,862)**	(65,878)
Depreciation of property, plant and equipment		**(135,126)**	(147,012)
Depreciation of right-of-use assets		**(676,758)**	(702,484)
Lease expenses		**(88,547)**	(74,685)
Other expenses	6	**(1,037,203)**	(1,062,914)
Pre-operating expenses		**(3,811)**	(3,903)
Other gains and losses	7	**2,844**	14,505
Finance costs		**(1,236)**	-
Interest on lease liabilities		**(214,798)**	(188,676)
Loss before tax		**(338,534)**	(185,280)
Income tax expense	8	**(2,187)**	(2,522)
Loss for the year		**(340,721)**	(187,802)
Loss for the year attributable to:			
Owners of the Company		**(338,070)**	(188,659)
Non-controlling interest		**(2,651)**	857
		(340,721)	(187,802)
Loss per share (basic and diluted)	10	**(130.03)**	(72.56)
		HK Cents	HK Cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 **HK$'000**	2023 HK$'000
Loss for the year	**(340,721)**	(187,802)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**1,789**	1,827
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of operations outside Hong Kong	**2,994**	62
Other comprehensive income for the year, net of income tax	**4,783**	1,889
Total comprehensive income for the year	**(335,938)**	(185,913)
Total comprehensive income for the year attributable to:		
Owners of the Company	**(331,847)**	(187,076)
Non-controlling interest	**(4,091)**	1,163
	(335,938)	(185,913)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current Assets			
Property, plant and equipment		**411,519**	399,945
Right-of-use assets		**2,532,346**	2,312,166
Investment properties		**386,700**	278,725
Equity instruments at FVTOCI		**12,549**	20,752
Pledged bank deposits		**26,358**	13,744
Time deposits		**5,404**	6,801
Deferred tax assets		**21,265**	23,727
Rental and related deposits paid		**212,908**	157,200
		3,609,049	3,213,060
Current Assets			
Inventories		**845,714**	837,475
Receivables, prepayments and deposits	11	**132,606**	212,629
Amounts due from fellow subsidiaries		**19,895**	76,045
Pledged bank deposits		**17,474**	90,164
Time deposits		**315,300**	362,484
Bank balances and cash		**515,277**	787,149
		1,846,266	2,365,946
Current Liabilities			
Trade payables	12	**1,005,254**	1,192,958
Other payables, accrued charges and other liabilities		**632,156**	724,141
Lease liabilities		**757,615**	676,027
Contract liabilities		**370,642**	398,404
Dividend payable		**201**	206
Amount due to ultimate holding company		**21,936**	24,567
Loan from ultimate holding company	13	**229,659**	-
Amounts due to fellow subsidiaries		**27,891**	33,165
Tax Payable		**185**	188
		3,045,539	3,049,656
Net Current Liabilities		**(1,199,273)**	(683,710)
Total Assets Less Current Liabilities		**2,409,776**	2,529,350
Non-current Liabilities			
Rental deposits received and other liabilities		**134,268**	91,010
Lease liabilities		**2,706,249**	2,532,767
		2,840,517	2,623,777
Net Liabilities		**(430,741)**	(94,427)
Capital and Reserves			
Share capital		**115,158**	115,158
Reserves		**(644,743)**	(312,896)
Deficit attributable to owners of the Company		**(529,585)**	(197,738)
Non-controlling interest		**98,844**	103,311
Total Deficit		**(430,741)**	(94,427)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. BASIS OF PREPARATION

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

The financial information relating to the years ended 31 December 2024 and 2023 included in these preliminary announcements of annual results for the years ended 31 December 2024 and 2023 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2024 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's report was unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

During the year ended 31 December 2024, the Group incurred a loss for the year of HK$340,721,000 and net cash outflow in respect of operating activities and lease liabilities of HK$447,630,000. As at 31 December 2024, the Group has net current liabilities of HK$1,199,273,000.

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 31 December 2024. 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$229,659,000 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.

1. BASIS OF PREPARATION– continued

The directors, after due consideration of the Group’s liquidity requirements and based on the cash flows projections and the confirmation of a 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 in the coming twelve months from 31 December 2024 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, and adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments had not been reflected on these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1	*Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)*
Amendments to HKAS 1	*Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)*
Amendments to HKFRS 16	*Leases: Lease liability in a sale and leaseback*
Amendments to HKAS 7	*Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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

3. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

4. **REVENUE**– continued

(i) Disaggregation of revenue from contracts with customers– continued

	For the year ended 31 December 2023		
	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
Direct sales	3,842,063	4,324,963	8,167,026
Income from concessionaire sales	298,804	227,040	525,844
	4,140,867	4,552,003	8,692,870

(ii) Performance obligations for contracts with customers

Direct sales

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

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

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

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

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

Income from concessionaire sales

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

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

As at 31 December 2024 and 2023, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

Information reported to the Group's chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on the retail stores of the Group located in different locations. The reportable segments represented the aggregate of operating segments with similar economic characteristics in terms of nature of products, type of customers and nature of the regulatory environment. The chief operating decision makers identify Hong Kong and Mainland China 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 2024

	Hong Kong	**Mainland China**	**Elimination**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'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)**

For the year ended 31 December 2023

	Hong Kong	Mainland China	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue - external	4,140,867	4,552,003	-	8,692,870
Inter-segment sales	-	6,591	(6,591)	-
	4,140,867	4,558,594	(6,591)	8,692,870
Segment loss	(149,954)	(61,463)	-	(211,417)
Investment income				26,137
Loss before tax				(185,280)

4. OPERATING SEGMENTS– continued

Segment revenues and results– continued

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.

Inter-segment revenue is charged at cost.

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

5. OTHER INCOME

	2024	2023
	HK$'000	HK$'000
Rental income from investment properties	**316,689**	331,832
Government grants	**7,432**	751
Management fee and other income from sub-leases	**62,827**	64,578
Platform collaboration income	**47,722**	45,708
Others	**44,278**	40,223
	478,948	483,092

During the year, the Group recognised government grants HK$7,432,000 (2023:HK$ 751,000) relating to subsidies granted by municipal governments in Mainland China.

6. OTHER EXPENSES

	2024	2023
	HK$'000	HK$'000
Advertising, promotion and selling expenses	**290,065**	295,979
Maintenance, repair and building management fees	**350,342**	355,104
Utilities expenses	**138,169**	155,680
Administrative expenses	**221,627**	224,661
Others expenses	**37,000**	31,490
	1,037,203	1,062,914

7. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	HK$'000
Exchange (loss) / gain, net	**(5,917)**	6,116
Impairment loss recognised in respect of property, plant and equipment	**(2,151)**	(2,186)
Loss on disposal / written off of property plant and equipment	**(435)**	(2,456)
Gain on lease modifications	**11,347**	13,031
	2,844	14,505

8. INCOME TAX EXPENSE

	2024	2023
	HK$'000	HK$'000
The charges comprise:		
Current tax		
PRC withholding tax	**39**	476
	39	476
Deferred tax		
Current year	**2,148**	2,046
Income tax expense for the year	**2,187**	2,522

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

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

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

9. DIVIDENDS

	2024	2023
	HK$'000	HK$'000
Final dividend paid for 2023 of nil HK cents (2023: 2 HK cents for 2022) per ordinary share	**-**	5,200
Interim dividend paid for 2024 of nil HK cents (2023: 2 HK cents for 2023) per ordinary share	-	5,200
	-	10,400

The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the Group's loss for the year attributable to owners of the Company of HK$338,070,000 (2023: HK$188,659,000) and on 260,000,000 (2023: 260,000,000) ordinary shares in issue during the year.

No diluted loss per share have been presented as there are no potential dilutive ordinary shares in issue for both years.

11. ACCOUNTS RECEIVABLES

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$28,726,000 (2023: HK$46,115,000) is due within 30 days and the remaining balance is due over 60 days (2023: 60 days). There are no significant overdue balances of those accounts receivable at the end of reporting period and no default is expected.

12. TRADE PAYABLES

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

	2024	2023
	HK$'000	HK$'000
0 to 60 days	**872,264**	951,705
61 to 90 days	**43,839**	139,888
Over 90 days	**89,151**	101,365
	1,005,254	1,192,958

13. LOAN FROM ULTIMATE HOLDING COMPANY

The loan from the ultimate holding company bears interest at 1.89% per annum, is unsecured and repayable on 30 June 2025.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 May 2025 to 29 May 2025 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting for 2025 ("AGM"), during which period no transfers of Shares will be registered. In order to qualify for attending and voting at the AGM, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 23 May 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the global political and economic landscapes went through significant adjustments. With weak external demand and rising geopolitical risks casting a shadow over the global economy, retail businesses in Hong Kong and mainland China faced unprecedented uncertainties amid a prevalently challenging market environment. Thus, the Group actively adjusted its business strategy and implemented a series of reforms to adapt to market changes.

Hong Kong Operations

In the past year, Hong Kong's economic performance remained weak, with GDP amounting to US$286 billion. The value of total retail sales for 2024 decreased by 7.3% against the same period last year. After pandemic control measures were lifted, the number of visitors to Hong Kong rebounded quickly. In 2024, Hong Kong welcomed 31.0% more visitors year-on-year, with non-mainland visitors up 44% relative to the previous year. However, the spending pattern of visitors to Hong Kong had changed fundamentally. They are no longer as enthusiastic about "having fine food, shopping, and entertainment" as before the pandemic. Instead, they show a strong interest in in-depth cultural tours. As such, total tourist spending has been increasing slower than expected. At the same time, convenient cross-border transportation has seen more Hong Kong residents travelling north to spend. That new trend to some extent has dampened the desire of local residents to spend money in Hong Kong, and correspondingly Hong Kong's retail sector has been affected.

During the year, with the help of effective marketing strategies and product optimization, the Group enhanced the sales performance of its private brands such as TOPVALU, HÓME CÓORDY and PEACE FIT WARM/COOL. Based on in-depth analysis of consumer demand, the Group launched a number of fashionable and high-quality products, which helped enhance brand awareness and drove sales growth.

In terms of store network, during the year, the Group opened the first AEON STYLE store - AEON STYLE Tsuen Wan in the New Territories through renovation and upgrading, launching a Mono Mono store in North Point, and introducing AEON STYLE Kai Tak in Kai Tak, to provide customers with a richer range of lifestyle options. In addition to opening three KOMEDA'S Coffee branches in Tsuen Wan, Kai Tak and Kornhill, the Group opened the world's first Japanese takeaway shop JELYCO DO By KOMEDA'S Coffee in Tsing Yi, to diversify its F&B offerings. Since opening, the new stores have been well-received by customers, with sales performance exceeding initial projections.

To sustain its performance, the Group optimized overall internal management during the year. Regarding the stores, the Group carried out reforms involving store decoration, renovation and opening costs, effectively reducing related expenses. In addition, we also actively promoted and applied electronic equipment, such as introducing Electronic Price Tag in three stores and supermarkets, streamlining work processes. The utilization rate of the Self-checkout system in stores increased to 55%, which not only improved employees' work efficiency, but have also enabled the Group to more accurately grasp market dynamics and consumer needs. By strengthening management, process optimization and control of recurring expenses, the

BUSINESS REVIEW– continued

Hong Kong Operations– continued

Group was able to reduce various operating expenses and it improved staff productivity through structural reform and training.

During the year under review, revenue from Hong Kong operations declined by 9.5% to HK$3,746.0 million (2023: HK$4,140.9 million). The segment incurred loss of HK$288.2 million (2023: loss of HK$150.0 million) for the year.

Mainland China Operations

In 2024, China mainland's GDP grew by 5.0% compared with the previous year, but less than the 5.2% in 2023. Total retail sales of consumer goods increased by 3.5% year-on-year, and the GDP of Guangdong province increased by 3.5% over last year. The total retail sales of consumer goods in the province increased by 0.8% against the previous year, of which retail sales of goods grew by only 0.6%. Domestic consumption and the real estate market remaining sluggish had dragged down overall economic recovery.

During the year, the Group actively adjusted its store layout and carried out extensive revitalisation and renovation of the Guangzhou Baotai Store and Guangzhou Taiyangcheng store. It also opened two new stores - Zhongshan Fuyicheng store and Guangzhou Baixinstore. The sales performance of both stores met expectations, injecting new vitality into the Group's business expansion. Existing store structure was reviewed and key sales areas were created heeding customers' consumption patterns to enhance their offline consumption experience.

In terms of merchandise strategy, the Group analysed past data and focused on promoting key product categories, as a result, those products maintained strong growth with sales exceeding the levels of the same period last year. In addition, the Group was committed to developing new products. These products performed well in the market and met at ease sales and gross profit expectations.

The Group vigorously promoted digitalisation to improve operational efficiency. In the O2O realm, for example, it implemented online and offline integration to enhance customers' consumption experience and reduce marketing costs, reaping the initial benefit of digital transformation. The Group's own e-commerce platform also made significant progress, boasting an improved sales mix proportion, giving the Company's online business stronger yet competitiveness.

In addition, the Group actively expanded income from tenants and achieved its budget target by optimising its leasing strategy and improving service quality. Income from tenants exceeded the level of the same period last year.

Revenue from the Mainland China operations for the year was HK$4,349.3 million (2023: HK$4,552.0 million), a drop of 4.5% year-on-year. During the year, Mainland China business recorded loss of HK$65.9 million (2023: loss of HK$61.5 million).

PROSPECTS

Hong Kong Operations

The Hong Kong government has recently introduced a series of measures, such as organizing a cluster of mega events to attract more visitors, perfecting tourist visa policies, strengthening exchange and cooperation with Mainland China, upgrading urban infrastructure and raising public service standards, which have provided strong impetus for recovery of the retail and tourism industries. The Group will actively seize relevant opportunities and, with equal emphasis on innovation and pragmatism, launch an array of strategies with a view to enhancing performance.

PROSPECTS– continued

Hong Kong Operations– continued

Regarding product reform, the Group will step up promotion of popular product categories that possess growth potential, and boost the sales mix proportion of those products and its own brands to bolster their influence and market competitiveness. At the same time, the Group will open more small specialty stores, mainly represented by Mono Mono, which are expected to yield higher return on investment.

The Group will continue to ramp up investment in the e-commerce sector and continue to hasten digital transformation. It will also gradually introduce an AI loss prevention system in its Hong Kong stores, and conduct trial of smart shopping carts in selected stores to enhance customers' shopping experience and the safety of store operations. In addition, the Group will continue to expand the application of Electronic Price Tag and increase the utilization rate of Self-checkout system and automatic cash handling system, so as to provide greater convenience to customers and also boost its own operating performance with technology.

Moreover, the Group will improve internal management, conduct comprehensive reviews and reforms on existing systems, initiate structural reform projects and meticulous financial management and cost control to reduce expenses and raise operational efficiency and productivity.

Mainland China Operations

Since the beginning of 2025, the economy and retail market in Mainland China has been complex and volatile. On top of navigating the challenges posed by escalating geopolitical risks on international trade, Mainland China also needs to deal with structural issues like people choosing to stay single and the aging population. That plus the more rational consumption behaviour of consumers have led to a persistent downturn in the retail store sector. Emerging business modes such as live-streaming e-commerce have also dealt a blow to the traditional retail industry, prompting the industry to accelerate digital investment and transformation, and realize comprehensive development of online and offline integration.

In response to the dynamic market environment and challenges, the Group is dedicated to improving its competitive edge. Along with expanding the sales mix proportion of its own brands and popular products, the Group will also continuously evaluate its product portfolio to improve gross profit. In addition, the Group will continue to build and optimise core sales floors, such as trendy play, children's toy, fruit, bakery, and pet sales areas to boost the appeal of the stores. The Group will also gradually introduce an AI loss prevention system and intelligent pricing system in its mainland stores, and conduct trials deploying smart shopping carts in select stores to enhance customers' shopping experience and the efficiency of store operations.

The Group plans to open 8 new stores in the GBA in 2025, including stand-alone supermarkets in Guangzhou, Foshan, Shenzhen and Jiangmen to meet the diverse needs of local consumers. It will also push to increase income from and foster win-win development with tenants by improving tenancy structure and tenant service quality. At the same time, the Group will advance workflow reform in 2025 to raise employees' work efficiency and satisfaction, so as to lay a solid foundation for its development in the years ahead.

PROSPECTS– continued

GROUP

Under the 2025 investment plan, the total expenditure for new store openings and store renovations is estimated to be approximately HK$256 million.

Save as mentioned above or otherwise disclosed, there have been no material events affecting the Group’s business from 31 December 2024 up to the date of authorisation for the release of these consolidated financial statements.

FINANCIAL REVIEW

In the year 2024, the Group’s revenue decreased by 6.9% year-on-year to HK$8,095.3 million (2023: HK$$8,692.9 million). Gross profit margin dropped 0.3% to 28.9% (2023: 29.2%).

As for other income, income derived from sub-leases and others income decreased by HK$10.8 million (2023: increased by HK$27.6 million). However, government grants received increased by HK$6.7 million to HK$7.4 million (2023: HK$0.7 million) and other income resulted in an overall decrease by 0.9% as compared with last year.

For operating expenses during the year under review, the Group’s staff cost decreased by 4.7% and its ratio to revenue increased slightly to 11.9% (2023: 11.7%). Expenses related to leases increased by 1.3% and the ratio of expenses to revenue increased to 12.9% (2023: 11.9%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, decreased by 2.4% year-on-year and the ratio of other expenses to revenue was 12.8% (2023: 12.2%).

Included in other gains and losses, amongst others, was exchange loss of HK$5.9 million (2023: exchange gain of HK$6.1 million). In addition, impairment loss in respect of property, plant and equipment of HK$2.2 million (2023: 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$338.1 million (2023: loss of HK$188.7 million), representing an increase in loss by HK$149.4 million.

The Group’s adjusted EBITDA[1] for the year was loss of HK$246.7 million (2023: loss of HK$157.8 million), increased by HK$88.9 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 (2023 Final: HK$ nil) for the year ended 31 December 2024.

During the year, capital expenditure for opening new stores and store renovation in Hong Kong and Mainland China and the upgrade of information technology systems amounted to HK$155.4 million.

The Group also entered into new lease agreements and lease modifications in the year and recognised additional right-of-use assets of HK$970.0 million (2023: HK$574.6 million).

FINANCIAL REVIEW– continued

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$830.6 million as at 31 December 2024 (2023: HK$1,149.6 million). As at 31 December 2024, the gearing ratio (which is calculated on the basis of loan from ultimate holding company divided by total deficit) was -53.32% (2023: nil). The increase of gearing ratio is due to the new borrowing from AEON Co Ltd, the ultimate holding company of the Group, amounting to HK$229.7 million which further strengthened the group financial resources to finance future business operations.

As at year end date, deposits of HK$36.8 million (2023: HK$97.2 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$7.0 million (2023: HK$6.7 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

As at 31 December 2024, the Group’s current liabilities exceeded its current assets by HK$1,199.3 million (2023: net current liabilities of HK$683.7 million). The directors consider that the Group has sufficient financial sources available to fund its operations in the foreseeable future and will be able to meet its financial obligations when they fall due.

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

Reconciliation of Adjusted EBITDA	**FY2024**	**FY2023**
	HK$'000	**HK$'000**
Loss for the year	(340,721)	(187,802)
Adjusting items for EBITDA		
Income tax expenses	2,187	2,522
Depreciation of investment properties	64,862	65,878
Depreciation of property, plant and equipment	135,126	147,012
Depreciation of rights-of-use assets	676,758	702,484
Interest on lease liabilities	214,798	188,676
Investment income	(16,715)	(26,137)
Interest income from rental deposits	(11,023)	(11,215)
Other gain and losses	(2,844)	(14,505)
Finance cost	1,236	-
Items for Adjusted EBITDA		
Repayment of lease liabilities (included in consolidated cash flow statement) *	(755,518)	(836,048)
Interest on lease liabilities*	(214,798)	(188,676)
Adjusted EBITDA disclosed	(246,652)	(157,811)

* 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 2024, the Group had approximately 4,900 full-time and 3,900 part-time employees in Hong Kong and Mainland China. Under the "Everything we do, we do for our customers" credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group's ultimate goal is to build AEON into a brand that benefits all customers.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the Directors, the Company has maintained sufficient public float during the year ended 31 December 2024 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2024 with the code provisions of the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2024 with management.

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

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EXTRACT OF DRAFT INDEPENDENT AUDITOR'S REPORT

As disclosed in Note 1 to the consolidated financial statements reported in this announcement, during the year ended 31 December 2024, the Group incurred a loss of HK$340,721,000 and net cash outflow in respect of operating activities and lease liabilities of HK$447,630,000 for the year ended 31 December 2024 and as at that date, had net current liabilities of HK$1,199,273,000. These indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor has indicated to the Company that, if the conditions at that time continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, then it expects to draw attention to this matter in the auditor's report in the form set out below:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 3.1 to the financial statements which describes that the Group incurred a loss of HK$340,721,000 and net cash outflow in respect of operating activities and lease liabilities of HK$447,630,000 for the year ended 31 December 2024 and as at that date, had net current liabilities of HK$1,199,273,000. As stated in note 3.1, these conditions, along with other matters set forth in note 3.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report for the year ended 31 December 2024 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

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

Hong Kong, 28 March 2025

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