THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **AEON Stores (Hong Kong) Co., Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE OFFER LETTER REGARDING RENEWAL OF TENANCY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the extraordinary general meeting of the Company to be held as a hybrid meeting, physically at the principal meeting place at Function Room, Units 07-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong with an option for online virtual attendance and participation via an e-meeting system (https://spot-emeeting.tricor.hk/#/984) on Tuesday, 31 October 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend and vote at the extraordinary general meeting in person or online, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited, 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting in person or online (if any) at the extraordinary general meeting or any adjourned meeting if you so wish.

16 October 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"AEON Co"	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
"AEON GD"	Guangdong AEON Teem Co., Ltd.* (廣東永旺天河城商業有限公司), a company incorporated in the PRC and owned as to 65% by the Company
"AEON Group"	AEON Co and its subsidiaries and, unless the context require otherwise, excluding members of the Group
"Board"	board of Directors
"Company"	AEON Stores (Hong Kong) Co., Limited (永旺(香港)百貨有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 984)
"Condition Precedent"	approval of the Offer Letter by the Company's Shareholders and compliance with all applicable requirements under the Listing Rules by the parties to the Offer Letter
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of Shareholders (and any adjournment thereof) to be held to consider the resolution relating to the Offer Letter and the transactions contemplated thereunder and any adjournment of such EGM, which is scheduled to be held as a hybrid meeting, physically at the principal meeting place at Function Room, Units 07-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong with an option for online virtual attendance and participation via an e-meeting system (https://spot-emeeting.tricor.hk/#/984) on Tuesday, 31 October 2023 at 10:00 a.m.
"EGM Notice"	the notice included in this circular in respect of the EGM to consider and, if though fit, approve the Offer Letter and the transactions contemplated thereunder

"Existing Lease Agreement"	the existing lease agreement dated 9 March 2009 entered into by AEON GD and the Landlord in respect of the leasing of the Existing Premises from 25 September 2009 to 31 October 2024 (both days inclusive) for a total rent of approximately RMB437.9 million and total management fee of RMB101.3 million for AEON GD's operation of a retail store in the name of "AEON" and "永旺" (as amended and supplemented by four supplemental agreements dated 25 December 2009, 13 May 2011 and 16 April 2021 respectively)
"Existing Premises"	portions of the commercial property on Basement 1 and Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC* with a total lease area of approximately 26,649.8 square metres (中國廣東省廣州市天河區東站天匯城廣場廣場負一層和負二層部分商業物業)
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner, who to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Group and is/are third party(ies) independent of the Group and its connected persons in accordance with the Listing Rules
"Landlord"	Guangzhou Sky Metro City Company Limited* (廣州東站天匯城有限公司), a company incorporated in the PRC
"Latest Practicable Date"	10 October 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Offer Letter"	the offer letter dated 11 October 2023 in respect of the Premises conditionally entered into by AEON GD and the Landlord
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Premises"	portions of the commercial property in Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業), being the Existing Premises less the Surrendered Portion but adding certain new portions thereto and resulting in a total lease area of approximately 16,157.85 square metres together with the use of certain areas on Basement 1 as garbage room and cleaning room
"Proposed Formal Tenancy Agreement"	the formal tenancy renewal agreement proposed to be entered into between AEON GD and the Landlord in respect of the renewal of the Premises in due course
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holders of the shares of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

* the English names of the entities incorporated in the PRC or addresses in the PRC are translation of their respective Chinese company names or addresses for the purpose of identification only

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)

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

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

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

Registered office:
G-4 Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

16 October 2023

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO OFFER LETTER REGARDING
RENEWAL OF TENANCY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 October 2023 in relation to, among other things, the Offer Letter that AEON GD has conditionally entered into with the Landlord to extend the lease of the Premises.

On 11 October 2023, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant, and the Landlord have conditionally entered into the Offer Letter to surrender a portion of the leasing area under the Existing Lease Agreement with effect from 6 May 2024 and to extend the tenancy term of the Premises from 7 May 2024 and ending on 31 October 2039. The Existing Premises have been leased by AEON GD from the Landlord since 25 September 2009 for operating its retail businesses therein under the Existing Lease Agreement.

The Offer Letter constitutes a valid and binding arrangement between AEON GD and the Landlord, until superseded by the execution of the Proposed Formal Tenancy Agreement, for the renewal of tenancy in respect of the Premises on the terms and conditions as set out in the Offer Letter.

The purpose of this circular is to provide you with (i) further information on the details of the Offer Letter and the transactions contemplated thereunder; (ii) a valuation of the leasehold interests of the Premises; (iii) the financial information of the Group; and (iv) the notice of the EGM.

THE OFFER LETTER

The principal terms of the Offer Letter are as follows:

Date	11 October 2023
Parties:	(a) AEON GD, as tenant; and (b) the Landlord, as landlord
Existing Premises:	Portions of a commercial property on Basement 1 and Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, China* with a total lease area of approximately 26,649.8 square metres (中國廣東省廣州市天河區東站天匯城廣場負一層和負二層部分商業物業)
Partial surrender:	The Existing Lease Agreement, which shall expire on 31 October 2024 originally, shall be early terminated on 6 May 2024 and before 24:00 of 6 May 2024, AEON GD shall surrender a portion of the Existing Premises (comprising certain portions of Basement 1 and Basement 2 of Tianhuicheng Plaza with an aggregate floor area of approximately 10,884.5 square metres) (“**Surrendered Portion**”) to the Landlord and shall remove therefrom all movable shelves, merchandise and equipment but shall not be required to dismantle the original decorations.

As the Company will derecognise the right-of-use asset arising from the partial surrender of the Surrendered Portion, the partial surrender will be regarded as a disposal of right-of-use assets by the Group. The Company expects to recognize a gain of approximately RMB4.6 million as a result of the disposal, calculated based on the off-setting of the book value of (i) the lease liabilities (in the amount of approximately RMB16.2 million) and (ii) the right-of-use asset in respect of the Surrendered Portion (in the amount of approximately RMB11.6 million) upon execution of the Offer Letter.

Lease term: Commencing from 7 May 2024 and ending on 31 October 2039 (both dates inclusive) in respect of the Premises

Premises: Portions of a commercial property in Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業) with a total lease area of approximately 16,157.85 square metres (taking into account the partial surrender of the Surrendered Portion and addition of certain new portions).

In addition, the Landlord will also provide certain areas in Basement 1 in the area of approximately 117.31 square metres for AEON GD's use as garbage room and cleaning room.

Rent and management fee for the lease term: The total rent (including tax) payable for the lease term under the Offer Letter is approximately RMB327.7 million (exclusive of management fee, other charges, and outgoings), with the rent being payable by AEON GD to the Landlord on a monthly basis within 10 business days upon receipt of a VAT invoice from the Landlord (which shall be provided by the Landlord no later than the 10th day of the relevant month).

The total management fee (including tax) payable for the lease term under the Offer Letter is approximately RMB79 million which is inclusive of air-conditioning and cesspool usage fees.

The rent and management fee under the Offer Letter have both been determined after arm's length negotiations between AEON GD and the Landlord, after taking into consideration (i) the prevailing market rent and management fee for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises, (ii) the existing rental (including the rate of annual rental increment) under the Existing Lease Agreement and (iii) the long tenure under the Proposed Formal Tenancy Agreement.

In determining the prevailing market rent and management fee for comparison, the Group had conducted market research, such as obtaining lease transactions/ quotations from open source of properties of similar usage (i.e. retail stores) within the Tianhe District. In addition, the Group has also noted that, for reference purposes, the monthly rent for the first year of the lease term under the Offer Letter is approximately RMB1.45 million, which is lower than the monthly market rent of RMB1.7 million as at 15 August 2023 as set out in the valuation report.

In addition, the unit rates for rent and management fees payable by AEON GD throughout the long lease term of the Proposed Formal Tenancy Agreement are within the range of market rent and management fee levels in the referenced lease transactions considered by the Company. For illustrative purposes, according to statistics for the year ended 31 December 2022 published by the Guangzhou Housing and Urban-Rural Development Bureau* (廣州市住房和城鄉建設局), the monthly unit rates for rent (per square metre) for the shopping mall where the Premises are located were 5.3x and 3.8x the unit rates for rent payable by AEON GD under the Offer Letter with respect to the first and last year of the lease term, respectively. Therefore, taking into consideration (a) the expected annual inflation rate and the expected annual growth rate in market rental for comparable premises, (b) the rate of annual rental increment throughout the lease term under the Proposed Formal Tenancy Agreement is lower than that under the Existing Lease Agreement, and (c) the prime location of the Premises (being situated near the East Railway station which is a major transportation hub with both local and cross-city trains and high foot-traffic volume), the Company is of the view that the rent and management fees payable under the Offer Letter are no less favourable to the Group compared to prevailing market rent and management fees.

As mentioned above, the Company had considered the existing rent and management fees (including the rate of annual increment) under the Existing Lease Agreement in determining the fees payable under the Offer Letter. The monthly per square meter rates for the rent and management fees for the first year of the lease term under the Offer Letter represents a 23% discount as compared to the corresponding period under the Existing Lease Agreement. Furthermore, with respect to the rate of increment, under the Existing Lease Agreement, the monthly unit rates for rent and management fees for the last year of the lease term was approximately 2.7x the unit rates for the first year under the existing lease term. On the other hand, the monthly unit rates for rent and management fees for the last year of the lease term under the Offer Letter is approximately 1.35x the unit rates for the first year under the new lease term, which is a considerably lower rate of increment.

As such, although the average unit rates for rent and management fees payable under the Offer Letter (taken as a whole throughout the lease term) are higher than those set out under the Existing Lease Agreement, taking into account the aforementioned factors (such as, expected annual inflation rate and growth rate in market rental for comparable premises, and rate of annual rental increment), and having also considered the development of the shopping mall where the Premises are situated as compared to when the Existing Lease Agreement was entered into 15 years ago and in particular that the unit rates for rent and management fees payable by AEON GD throughout the long lease term of the Proposed Formal Tenancy Agreement are within the range of market rent and management fee levels in the referenced lease transactions considered by the Company, the Company is of the view that the rent and management fees payable under the Offer Letter are fair and reasonable and no less favourable.

The rent and management fee payments will be satisfied by internal resources of the Group.

Rental concession:	The Landlord has agreed to grant AEON GD a rental concession in the total sum of approximately RMB4.3 million which will be applied to reduce in equal amounts each of the monthly rental payments payable in respect of the months from October 2023 to April 2024, provided that where the parties fails to sign the Proposed Formal Tenancy Agreement (and terminate the Existing Lease Agreement accordingly) on or before 31 December 2023 or such other extended period as the parties may agree in writing, the rental concession shall become void and AEON GD shall be liable to repay any such rental concession already granted and provided further that where the Proposed Formal Tenancy Agreement, if executed, shall be early terminated otherwise than due to reasons attributable to the Landlord, AEON GD shall refund the rental concession granted.
Usage:	For AEON GD's operation of a retail store in the name of "AEON" and "永旺"
Performance guarantee:	AEON GD is required to provide a letter of performance guarantee to be issued by a bank in the sum of RMB3 million within 60 business days of the Proposed Formal Tenancy Agreement. The performance guarantee shall be effective from the date of its issuance until 180 days after the end of the lease term, and the Landlord will be entitled to exercise the performance guarantee and request for payment thereunder if AEON GD provided notice for early termination of the lease. The performance guarantee was agreed after arm's length negotiations between the parties, and is in line with common market practice regarding the lease of commercial properties in the PRC with long tenure. The Company is of the view that the period of 180 days after the end of the lease term allows the parties more flexibility and sufficient time to settle any outstanding obligations or issues (without the Landlord having to enforce the performance guarantee (if necessary) shortly after expiry of the lease term).
Exclusive freight elevator:	The Landlord shall replace the 2 freight elevators for the exclusive use of AEON GD with brand-new ones at its own costs.

Condition precedent:	The Offer Letter shall become effective upon the Company's (i) obtainment of Shareholders' approval for the Offer Letter and (ii) compliance with all applicable requirements under the Listing Rules. Within 5 days of fulfillment of this condition precedent, AEON GD shall notify the Landlord of the same in writing.

Both parties have agreed to sign the Proposed Formal Tenancy Agreement annexed to the Offer Letter (or such version as both AEON GD and the Landlord may further agree upon) after fulfilment of the condition precedent and on or before 31 December 2023 or such other extended period as the parties may agree mutually, failing which it is regarded as the refusal by AEON GD to early surrender the Surrendered Portion and an abandonment by AEON GD of the right to (i) extend the lease term of the Premises and (ii) the rental concession. The terms and conditions of the Proposed Formal Tenancy Agreement shall prevail in case of conflict with the Offer Letter.

PROPOSED FORMAL TENANCY AGREEMENT

The principal terms of the Proposed Formal Tenancy Agreement are consistent with that of the Offer Letter and are summarized as follows:

Parties:	(a) AEON GD (as tenant); and (b) the Landlord (as landlord)
Lease term:	Commencing from 7 May 2024 and ending on 31 October 2039 (both dates inclusive) in respect of the Premises
Premises:	Portions of a commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, China, with a total lease area of approximately 16,157.85 square metres. In addition, the Landlord will also provide certain areas in Basement 1 in the area of approximately 117.31 square metres for AEON GD's use as garbage room and cleaning room.

Rent and management fee:	The total rent (including tax) payable for the lease term under the Proposed Formal Tenancy Agreement is approximately RMB327.7 million (exclusive of management fee, other charges, and outgoings). The total management fee (including tax) payable for the lease term under the Proposed Formal Tenancy Agreement is approximately RMB79 million which is inclusive of air-conditioning and cesspool usage fees. The rent and management fee are payable by AEON GD to the Landlord on a monthly basis within 10 business days upon receipt of a VAT invoice from the Landlord (which shall be provided by the Landlord no later than the 10th day of the relevant month).
Rental guarantee:	AEON GD shall provide a rental guarantee in the amount of RMB3 million to the Landlord in the form of a bank guarantee letter within 60 business days of the execution of the Proposed Formal Tenancy Agreement. Should AEON GD fail to make on-time payments in accordance with the terms of the Proposed Formal Tenancy Agreement, the Landlord shall have the right to deduct any outstanding amounts from the amount of the rental guarantee.
Usage:	For AEON GD's operation of a retail store in the name of "AEON" and "永旺"
Exclusive freight elevator:	The Landlord shall provide two brand-new freight elevators for the exclusive use of AEON GD during the lease term.

INFORMATION ON THE PARTIES

The Group is principally engaged in the operation of general merchandise stores in Hong Kong and the PRC.

The Landlord is an indirect wholly owned subsidiary of Waykon (China) Co., Ltd. (匯港(中國)有限公司), a company incorporated in Hong Kong which, based on information available in the public domain as at the Latest Practicable Date, is wholly-owned by Mercystone Limited, a company incorporated in the British Virgin Islands. No information about the shareholders of Mercystone Limited has been revealed based on public searches. Based on enquiries made with the Landlord, the ultimate beneficial owners of the Landlord are Mr. Ye Yingqiang (葉英強), Mr. Yao Yongsheng (姚永昇) and Mr. Chen Zhenhua (陳振華), who indirectly hold in aggregate 100% of the equity interest in the Landlord. The Landlord is principally engaged in property investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE OFFER LETTER

The principal business of the Group is the operation of retail businesses through chain stores under the trade names of "AEON STYLE", "AEON" and "AEON SUPERMARKET" in Hong Kong and the PRC. Due to the nature of its retail businesses, the Group has to enter into tenancy agreements for the leasing of retail stores from time to time. Each of the retail stores, especially sizable stores like the Premises, contributes to and maintains the Group's scale of operation which in turn benefits the Group in lowering the overall operation costs, in enhancing the Group's negotiations with its business partners and in expending its store network and market shares.

The Existing Premises have been leased by AEON GD from the Landlord since 25 September 2009 for operating its retail businesses therein under the Existing Lease Agreement. The partial surrender of the Surrendered Portion for the reminder term of the Existing Lease Agreement would lead to a decrease in total lease area and in turn a decrease in the scale of the business operation in the Premises. However, the partial surrender is expected to allow AEON GD to enhance its operational efficiency in the Premises (by streamlining and consolidating the Group's efforts on parts of the retail store/business with better historical performance) and would have no material effect on the overall operation of the Company's retail business. As the Existing Lease Agreement will be terminated on 6 May 2024, AEON GD and the Landlord have conditionally entered into the Offer Letter to extend and modify the terms of the Existing Lease Agreement.

The terms of the Offer Letter, including the rental charge, were determined after arm's length negotiations between the Parties and with reference to the open market rent of comparable properties (i.e. similar size, facilities/amenities and quality) and the rental payment made by the Group under the Existing Lease Agreements. The entering into of the Offer Letter is (i) necessary for the operation of the retail businesses of the Group and (ii) in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the Offer Letter (and the transactions contemplated thereunder) are on normal commercial terms and are fair and reasonable and the entering into of the Offer Letter (and the transactions contemplated thereunder) is in ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION CONTEMPLATED UNDER THE OFFER LETTER

In accordance with HKFRS 16 ''Leases'', the entering into of the Offer Letter as tenant by AEON GD will require the Group to derecognize the right-of-use asset arising from the Partial Surrender and to recognise the additional right-of-use asset arising from the extension of the tenancy term. Set out below is the accounting treatment of the Group in relation to the right-of-use asset:

The right-of-use asset is initially measured at the amount of the lease liability plus adjustments required for deposits payments. After lease commencement, a tenant shall measure the right-of-use asset using a cost model, unless:

(i) the right-of-use asset is an investment property and the tenant fair values its investment property under HKAS 40; or

(ii) the right-of-use asset relates to a class of plant, property and equipment to which the tenant applies HKAS 16's revaluation model, in which case all right-of-use asset relating to that class of plant, property and equipment can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the tenant shall use their incremental borrowing rate. The Company assessed the recoverable amount of the right-of-use asset and considered that there was no impairment loss of right-of-use asset upon the initial recognition.

Based on the above accounting treatment, the values of the right-of-use assets derecognized and recognised by the Group under the Offer Letter in respect of the Partial Surrender and the extension of the tenancy term amounted to approximately RMB11.6 million and approximately RMB207.7 million.

As a result, upon entering into of the Offer Letter:

(i) the Group's total consolidated assets are estimated to increase by approximately RMB191.5 million upon (i) derecognition of right-of-use assets due to Partial Surrender of approximately RMB16.2 million and (ii) initial recognition of right-of-use assets due to extension of the tenancy term under the Offer Letter; and

(ii) the Group's total consolidated liabilities are estimated to increase by approximately RMB196.1 million upon (i) reduction of lease liabilities due to Partial Surrender of approximately RMB16.2 million and (ii) initial recognition of lease liability as a result of the extension of tenancy term under the Offer Letter.

As a result of the Partial Surrender, the Group is expected to recognize a one-off gain of approximately RMB4.6 million as a result of the disposal, calculated based on the off-setting of the book value of (i) the lease liabilities (in the amount of approximately RMB16.2 million) and (ii) the right-of-use asset in respect of the Surrendered Portion (in the amount of approximately RMB11.6 million) upon execution of the Offer Letter.

The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, with annual depreciation charges amounting to approximately RMB13.4 million. Interest expenses on the lease liabilities will be recognised at the incremental borrowing rate of the Group, which is estimated at approximately 5.629% per annum, and is expected to amount to approximately RMB106.8 million in aggregate. After the commencement date of the lease, the lease liabilities are adjusted by interest accretion and lease payments. The Group's earnings are expected to experience a decrease due to the aggregate effect of the depreciation charge on the right-of-use asset and the interest expenses on the lease liabilities. Given the gain arising from the Partial Surrender will be one-off and recognized upon execution of the Offer Letter, the Company does not expect the one-off gain to have a material impact on the Group's future earnings.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 "Leases", the entering into of the Offer Letter as tenant by AEON GD will require the Group to derecognize the right-of-use asset arising from the Partial Surrender and to recognise the additional right-of-use asset arising from the extension of the tenancy term. Therefore, the entering into of the Offer Letter will be regarded both as a disposal and an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets derecognized and recognised by the Group under the Offer Letter in respect of the disposal and the acquisition amounted to approximately RMB11.6 million and approximately RMB207.7 million.

As the highest applicable percentage ratio under the Listing Rules in respect of the disposal of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the partial surrender is more than 5%, the disposal of right-of-use asset (as a result of the entering into the Offer Letter) constitutes a discloseable transaction of the Company. Since the Offer Letter involves both a disposal and an acquisition, pursuant to Rule 14.24 of the Listing Rules, the transactions under the Offer Letter are classified by reference to the larger of the disposal or the acquisition. As the highest applicable percentage ratio under the Listing Rules in respect of the acquisition of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the consideration under the Offer Letter is more than 100%, the entering into of the Offer Letter constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Offer Letter and the transactions contemplated thereunder. As such, no Shareholder would be required to abstain from voting at the EGM to approve the Offer Letter.

EGM

The Company will convene an EGM to seek approval from the Shareholders in respect of the Offer Letter. At the EGM, an ordinary resolution approving the Offer Letter and the transactions contemplated thereunder shall be proposed and, if thought fit, approved by the Shareholders.

A notice convening the EGM to be held as a hybrid meeting, physically at the principal meeting place at Function Room, Units 07-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong with an option for online virtual attendance and participation via an e-meeting system (https://spot-emeeting.tricor.hk/#/984) on Tuesday, 31 October 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM in person, they are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude Shareholders from subsequently attending and voting in person or online (if applicable) at the meeting or any adjourned meeting if they so wish.

Shareholders will be able to attend the EGM, vote and submit questions online via the designated URL (https://spot-emeeting.tricor.hk/#/984) by using the personalised login credentials provided on the Notification Letter sent by the Company. Shareholders participating in the EGM virtually will also be counted towards the quorum. If you have any queries relating to the access of Tricor e-Meeting for participating in the EGM, please contact the Company's share registrar, Tricor Secretaries Limited, via their hotline at (852) 2975 0928 (from 9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays).

Non-registered holders, whose Shares are held in the Central Clearing and Settlement System (CCASS) through banks, brokers or custodians or HKSCC Nominees Limited (together, the "**Intermediaries**") may also be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with the Intermediaries for further arrangement, including obtaining the log-in credentials and online voting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Secretaries Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Wednesday, 25 October 2023.

RECOMMENDATION

The Directors consider that the terms of the Offer Letter are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolution to approve the Offer Letter and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 are disclosed in the following documents which are published on both the websites of the Stock Exchange and the Company. Please refer to the hyperlinks as stated below:

- annual report of the Company for the year ended 31 December 2020:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300817.pdf
  (page 55 to 123)

- annual report of the Company for the year ended 31 December 2021:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042502014.pdf
  (page 57 to 127)

- annual report of the Company for the year ended 31 December 2022:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501659.pdf
  (page 58 to 125)

- interim report of the Company for the six months ended 30 June 2023:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0919/2023091900810.pdf
  (page 2 to 20)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2023, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Bank guarantees

As at 31 August 2023, the Group had aggregate outstanding bank guarantees of approximately HK$140.0 million, of which approximately HK$107.5 million is secured by pledged bank deposits and approximately HK$32.5 million is unsecured. None of the above are guaranteed.

Lease liabilities

As at 31 August 2023, the Group had lease liabilities with outstanding principal amount of approximately HK$2,957.0 million.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 August 2023, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the Offer Letter and the financial resources available to the Group, including the internally generated funds, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

References are made to the Company's (i) profit warning announcement dated 3 August 2023, (ii) interim results announcement for the six months ended 30 June 2023 dated 25 August 2023, and (iii) interim report for the six months ended 30 June 2023 published on 19 September 2023, regarding the performance of the Group for the six months ended 30 June 2023 and the related information included therein. Save for the recording of a loss attributable to Shareholders of approximately HK$78 million for the six months ended 30 June 2023, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

Hong Kong Operations

The Hong Kong retail market has gradually recovered as the pandemic eased and the border reopened and the number of inbound tourists increased. In June, the value of total retail sales in Hong Kong rose 19.6%[1] year-on-year. Excluding price changes, the provisional estimate of the volume of total retail sales for the month rose 17.5%[1] year-on-year.

[1] Source: Census and Statistics Department, The Government of the Hong Kong Special Administrative Region

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

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

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

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

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

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

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

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

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

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

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

PRC Operations

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

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

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

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

The revenue from the PRC business in the first half of 2023 decreased by 10.4% to HK$2,419.6 million (2022: HK$2,701.5 million). The loss of the PRC business decreased to HK$15.4 million (2022: loss of HK$85.6 million).

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

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

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

Financial review

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

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

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

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

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

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

The Board declared an interim dividend of HK$0.02 (2022: HK$0.03) per share for the six months ended 30 June 2023. In the recommendation or declaration of dividends, the Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant.

During the six months ended 30 June 2023, capital expenditure for opening new stores and store renovation in Hong Kong and Mainland China and the upgrade of information technology systems amounted to HK$57.5 million.

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

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$1,266.1 million as at 30 June 2023 (31 December 2022: HK$1,423.4 million). The Group had no bank borrowing and therefore gearing ratio (which is defined by dividing bank borrowings to equity) was not applicable. The Group had sufficient internal resources to finance future business operations.

Exchange rate fluctuation had no material impact on the Group's retail business during the six months ended 30 June 2023 as less than 5% of the Group's total purchases were settled in foreign currencies other than the functional currencies in Hong Kong and in the PRC. The Group did not have a foreign currency hedging policy and will consider entering into hedging instruments should the need arises.

The Group's capital structure comprises wholly of equity capital without any bank borrowing throughout the six months ended 30 June 2023.

As at 30 June 2023, deposits of HK$124.2 million (31 December 2022: HK$23.7 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$6.7 million (31 December 2022: HK$6.7 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

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

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

The Group planned to invest approximately HK$56.2 million in the second half year of 2023 for new store openings, store renovations and digital transformation, which will be financed by internal resources.

Human resources

As at 30 June 2023, the Group had approximately 5,400 full-time and 3,900 part-time employees in Hong Kong and Mainland China. Under the "Everything we do, we do for our customers" credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group's ultimate goal is to build AEON into a brand that benefits all customers.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the details of management discussion and analysis of the Group for each of the three financial years ended 31 December 2020, 2021, and 2022 and the six months ended 30 June 2023. The financial data in respect of the Group, for the purpose of this circular, is derived from the annual report of the Company for each of the three financial years ended 31 December 2020, 2021, and 2022 and the interim report of the Company for the six months ended 30 June 2023.

For the year ended 31 December 2020

The outbreak of COVID-19 in January 2020 and the subsequent prolonged containment measures to halt its spread brought great challenges to the Group's business in Hong Kong and Mainland China ("**PRC**") during the year under review. In response to these challenging circumstances, the Group implemented a number of measures to mitigate the pandemic's impact on its business operations.

Hong Kong Operations

In the year 2020, customers' consumption behavior changed significantly. With the majority of the public spending most of their time at home, they have become more aware of the need to improve their living environment as well as overall health and safety. In order to cater to the needs of customers, the Group not only assured the supply of local products, but also sourced merchandise needed by Hong Kong residents from Japan, South East Asia and China by capitalizing on the procurement channels of AEON Group, so as to fulfill its mission of supporting the community. The Group's supermarket business recorded a year-on-year sales increment of 10-20% higher than the sales increment of the Hong Kong market, given credit to the Group's ability to strengthen the merchandise assortment during Super Wednesday sales and widened the supply of our private brand Topvalu merchandise.

During the year 2020, the Group completed the extensive renovation of its Tuen Mun store, one of its core retail outlets. In order to increase the sales proportion of local customers, the Group enhanced the differentiation of its food division, strengthened the diversity of fresh food available such as fish, meat and vegetables and enriched the portfolio of processed food products which are primarily made in Japan. In addition, the Group reorganized its family-oriented apparel and household merchandise categories, along with the store layout. It also actively introduced new brands under the AEON Japan Group. Moreover, the Group completed small-scale renovations in three stores in Hong Kong, and introduced the homeware brands "HÓME CÓORDY", "iC innercasual" and "KIDS REPUBLIC" into suitable stores, with the aim of bringing high quality products and a new shopping experience to customers.

"HÓME CÓORDY" primarily provides household products that feature Japanese elements such as simple design, reasonable prices, multi-functionality, and colorful appearance, as well as being easy to mix-and-match. The brand has been well-received by customers. (Four specialty outlets were opened in the Group's stores.) Moreover, "iC innercasual", which primarily provides functional underwear, comfortable lounge wear and general casual wear, reported a better-than-expected sales performance. (Two specialty outlets were opened in the Group's stores.)

In order to accelerate the business growth of small specialty stores, in line with the Group's business plan, the Group opened eleven "Living Plaza" outlets and one lifestyle specialty store "Mono Mono" during the year. Meanwhile, it has reviewed and optimized its store opening, construction and operation infrastructure.

As for daily operations, the Group added more self-service cashier systems and a "POS Express" mobile payment system in suitable stores in order to quicken the payment process and provide greater convenience to customers.

In the year 2020, revenue from Hong Kong operations increased by 15.5% to HK$4,894.3 million (2019: HK$4,239.0 million). Segment results improved by HK$177.1 million from a loss of HK$114.8 million last year to a profit of HK$62.3 million this year, attributable to sales growth, implementation of effective business plans and government grants received.

PRC Operations

Amidst the outbreak of the pandemic during the first half of 2020, the Group obtained the government's approval to continue its food business operations and support the commodity needs of the community. The Group also enhanced the services of its online supermarket in order to address the needs of customers who were unable to leave the house due to COVID-19 preventive measures. In the second half of the year, when the pandemic was brought under control, there was a recovery in the number of customers visiting our stores, although the speed of recovery was slower than anticipated.

Throughout 2020, the Group continued with its store expansion plan and had a net increase of three supermarkets.

On 29 November 2020, an accidental fire occurred at the back room of a store in Dongguan city (the "**Store**"). No personal injury or death was caused. Certain inventories, fixtures, facilities and equipment were damaged. The Store's food department reopened on 25 December 2020 and the other affected areas reopened at end of January 2021. While most of the losses from property damages were compensated by the insurance company, the Group still suffered from the loss of revenue while the Store was closed.

In the year 2020, the revenue of the PRC business decreased by 3.6% to HK$5,067.6 million (2019: 5,254.8 million), with a loss narrowed down to HK$73.0 million (2019: loss of HK$80.6 million).

Financial review

During the year ended 31 December 2020, amid a difficult business environment, the Group's revenue increased by 4.9% year-on-year to HK$9,961.9 million (2019: HK$9,493.8 million). Gross profit margin dropped 1% to 28.9% (2019: 29.9%).

As for other income, affected by the COVID-19, income derived from sub-lessees and other income decreased by HK$101.1 million. With the government grants received from the Hong Kong government and municipal governments in PRC totaled HK$146.4 million to support the Group's business, other income resulted in an overall increase of 7.0% as compared with last year.

As for cost control during the year under review, the Group's staff cost declined by 1.5% and its ratio to revenue dropped to 10.7% (2019:11.3%). Expenses related to the leases also dropped by 2.5% and the ratio of expenses to sales revenue dropped to 12.0% (2019: 12.9%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, also decreased by 2.2% year-on-year and the ratio of other expenses to revenue was 10.4% (2019:11.2%).

Included in other gains and losses, amongst others, exchange gain of HK$11.6 million (2019: exchange loss of HK$9.0 million) and insurance claims for damages from fire and flooding accident net of loss amounted to HK$11.7 million (2019: Nil). In addition, an impairment loss in respect of goodwill of HK$32.0 million (2019: Nil) was recognized in the year. It was because the performance of those relevant stores operated in mainland China that the goodwill was attached to was affected by the COVID-19 pandemic during the first half of the year and the slow recovery of the customers visiting those stores in the second half of the year.

Due to the above reasons, loss attributable to owners of the Company for the year was HK$36.8 million (2019: loss of HK$188.7 million), representing a reduction of HK$151.9 million.

The Board proposed a final dividend of HK$0.05 (2019: HK$0.05) per share for the year ended 31 December 2020. In the recommendation or declaration of dividends, the Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant. Together with the interim dividend of HK$0.05 (2019: HK$0.22) per share paid in the year, total dividends for the year is HK$0.10 (2019: HK$0.27) per share.

During the year, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC and the upgrade of information technology systems amounted to HK$156.5 million.

The Group also entered into new lease agreements and lease modifications in the review year and recognized an additional HK$576.8 million of right-of-use assets.

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$2,001.6 million as at 31 December 2020 (2019: HK$1,798.1 million). The Group had no bank borrowing and therefore gearing ratio (which is defined by dividing bank borrowings to equity) was not applicable. The Group had sufficient internal resources to finance future business expansions.

Exchange rate fluctuation had no material impact on the Group's retail business during the year ended 31 December 2020 as less than 5% of the Group's total purchases were settled in foreign currencies other than the functional currencies in Hong Kong and in the PRC. The Group did not have a foreign currency hedging policy and will consider entering into hedging instruments should the need arises.

The Group's capital structure comprises wholly of equity capital without any bank borrowing throughout the year ended 31 December 2020.

As at 31 December 2020, deposits of HK$25.0 million (2019: HK$24.1 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$7.6 million (2019: HK$7.9 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 31 December 2020 amounted to HK$4,870.6 million (2019: HK$4,800.7 million), of which HK$711.1 million (2019: HK$762.1 million) is payable within one year. The Group's lease liabilities to equity ratio as at 31 December 2020 (defined as the total lease liabilities divided by total equity) was 573% (2019: 530%).

As at 31 December 2020, the Group's current liabilities exceeded its current assets by HK$94.3 million (2019: net current liabilities of HK$361.6 million).

The Group planned to invest approximately HK$186 million in the year 2021 to open six supermarkets, which will be financed by internal resources.

Human resources

As at 31 December 2020, the Group had approximately 6,500 full-time and 3,100 part-time employees in Hong Kong and the PRC. 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. Under 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.

For the year ended 31 December 2021

In 2021, the COVID-19 pandemic continued, slowing down the global economy and adversely affecting the Group's business in Hong Kong and Mainland China. Despite the continued challenges, the Group remains cautiously optimistic about its business prospects and will continue to closely monitor shifts in the market, respond appropriately and adjust its business strategies to ameliorate the impact of the pandemic on its business operations.

Hong Kong Operations

In 2021, as the COVID-19 pandemic was gradually brought under control and daily social, business and economic activities resumed, the sales performance of some merchandise spurred by the pandemic was also affected. Sales of food-related products dropped below those of 2020 after dining out restrictions were relaxed. Sales of cleaning and hygiene-related products also declined due to reduced public demand for related items.

At the same time, due to the prolonging of the pandemic and its serious disruption of the public, the local economy has been slowly recovering, and public sentiment is generally cautious about consumption. For example, the Group's apparel merchandise demand has not improved significantly as it is a non-essential item. And as the birth rate in Hong Kong has continued to decline in recent years, sales demand for baby-related products has remained at a relatively low level.

In the third quarter of 2021, with the assistance of the launch of the first round government consumer voucher scheme and a relatively stabilized pandemic environment, sales performance recorded a slight improvement but such improvement were relatively weaker in the subsequent rounds of consumer voucher scheme launched in the fourth quarter of 2021.

Besides, the continuous emergence of many new stores in the market, coupled with the penetration of e-commerce, have intensified both the online and offline business competition in the retail industry. In view of this, the Group has actively enhanced the shopping experience of customers by providing a wealth of high-quality products and services to the public. To further enhance the Group's online business services, in February 2021, the Group partnered with foodpanda mall to provide Topvalu food products, HÓME CÓORDY household products and frozen food products. By June, the whole line of supermarkets was online, offering sales and home delivery services for a variety of supermarket items.

During 2021, the Group opened Hong Kong's third "AEON STYLE" store in Gala Place, Mongkok. It is the large-scale store to commence operation in recent years; and the stores in Tseung Kwan O, Lai Chi Kok and Tsuen Wan have also undergone small scale renovation works.

In order to promote the business of small specialty stores, the Group signed a long-term licensing agreement with Daiso Japan ("**DAISO**") to launch a new strategic cooperation in the city. The Group will continue to expand the network of such stores, accelerating related development of AEON Hong Kong.

During 2021, the Group's Hong Kong operations recorded a revenue of 7.7% decreasing to HK$4,516.2 million (2020: $4,894.3 million). This segment results changed from profit of HK$62.3 million last year to loss of HK$184.1 million this year, mainly due to the Group did not receive the same amount of government grants from the Hong Kong Government in the year as compared with last year.

PRC Operations

According to the National Bureau of Statistics, although the annual GDP grew by 8.1% year-on-year, the economic growth declined rapidly on a quarterly basis, especially evident in the 4% medium-to-low growth rate in the fourth quarter. In 2021, the growth rate in the total retail sales of consumer goods has also slowed. These statistics imply that the domestic economy is under downward pressure that cannot be ignored.

Buffeted by the volatile pandemic, and affected by stronger e-commerce marketing and continuous iteration of new business models, the pedestrian flow of the Group's shopping malls and stores has trended downward, and the recovery has been slower than expected. Under the influence of the pandemic, not only has the number of customers lessened and they have become more conservative in shopping, it has also encouraged them to shop in nearby stores or online. Secondly, competition in some regions has become more intense, and the attraction of old shopping malls has decreased significantly, which have more greatly impacted the sales of existing large-scale stores.

In order to cope with the government's pandemic preventive measures, some of the Group's stores have also temporarily suspended operations. In terms of opening stores, the Group will focus on supermarkets and six supermarkets have been opened during the period.

During the period, the Group made various attempts to overcome challenges presented by the pandemic including implementing different measures such as improving e-commerce marketing activities, attracting customers by selling fresh items and strengthening merchandise differentiation, as well as improving loyalty membership management, all aimed at increasing sales and improving revenue.

Revenue from PRC operations in the year decreased by 0.6% to HK$5,038.7 million (2020: HK$5,067.6 million). During the period, the PRC business recorded a loss of HK$265.0 million (2020: loss of HK$73.0 million).

Financial review

In the year 2021, the Group's revenue decreased by 4.1% year-on-year to HK$9,554.9 million (2020: HK$9,961.9 million). Gross profit margin maintained at 28.9% (2020: 28.9%).

As for other income, income derived from sub-lessees and other income increased by HK$52.2 million (2020: decreased by HK$101.1 million), resulted from the recovery of sub-lessee business during the year whilst it was severely been affected during the outbreak of COVID-19 in last year. However, government grants received from the Hong Kong government and municipal governments in PRC decreased by HK$136.4 million to HK$10.0 million (2020: HK$146.4 million). Other income resulted in an overall decrease of 14.4% as compared with last year.

As for operating expenses during the year under review, the Group's staff cost increased by 3.8% and its ratio to revenue increased to 11.5% (2020: 10.7%). Expenses related to the leases increased by 1.6% and the ratio of expenses to revenue also increased to 12.7% (2020: 12.0%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, also increased by 6.7% year-on-year and the ratio of other expenses to revenue was 11.6% (2020: 10.4%).

Included in other gains and losses, amongst others, was exchange gain of HK$15.6 million (2020: exchange gain of HK$11.6 million). In addition, impairment loss in respect of goodwill of HK$62.8 million (2020: HK$32.0 million), impairment loss in respect of property, plant and equipment of HK$31.1 million (2020: HK$1.0 million) and impairment loss in respect of right-of-use assets of HK$97.2 million (2020: HK$5.4 million) were recognized in the year.

Due to the above reasons, loss attributable to owners of the Company for the year was HK$470.0 million (2020: loss of HK$36.8 million), representing an increment of HK$433.2 million.

The Board proposed a final dividend of HK$0.02 (2020: HK$0.05) per share for the year ended 31 December 2021. In the recommendation or declaration of dividends, the Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant. Together with the interim dividend of HK$0.03 (2020: HK$0.05) per share paid in the year, total dividends for the year is HK$0.05 (2020: HK$0.10) per share.

During the year 2021, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC and the upgrade of information technology systems amounted to HK$165.5 million.

The Group also entered into new lease agreements and lease modifications in the year and recognized an additional right-of-use assets of HK$268.3 million (2020: HK$576.8 million).

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$1,833.6 million as at 31 December 2021 (2020: HK$2,001.6 million). The Group had no bank borrowing and therefore gearing ratio (which is defined by dividing bank borrowings to equity) was not applicable. The Group had sufficient internal resources to finance future business expansions.

Exchange rate fluctuation had no material impact on the Group's retail business during the year ended 31 December 2021 as less than 5% of the Group's total purchases were settled in foreign currencies other than the functional currencies in Hong Kong and in the PRC. The Group did not have a foreign currency hedging policy and will consider entering into hedging instruments should the need arises.

The Group's capital structure comprises wholly of equity capital without any bank borrowing throughout the year ended 31 December 2021.

As at 31 December 2021, deposits of HK$28.0 million (2020: HK$25.0 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$8.0 million (2020: HK$7.6 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 31 December 2021 amounted to HK$4,366.3 million (2020: HK$4,870.6 million), of which HK$833.9 million (2020: HK$711.1 million) is payable within one year. The Group's lease liabilities to equity ratio as at 31 December 2021 (defined as the total lease liabilities divided by total equity) was 1,353% (2020: 573%).

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK$461.3 million (2020: net current liabilities of HK$94.3 million).

The Group planned to invest approximately HK$180 million in the year 2022 for new store openings and store renovations, which will be financed by internal resources.

Human resources

As at 31 December 2021, the Group had approximately 5,900 full-time and 3,900 part-time employees in Hong Kong and the PRC. 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.

For the year ended 31 December 2022

Owing to the continued outbreak of COVID-19 pandemic, coupled with the instable geopolitical landscape, fluctuated energy prices and supply chain disruption, various countries have seen a significant slowdown in growth momentum. Hence, the Group's operations in Hong Kong and the PRC inevitably continued to be affected in the past year. Fortunately, the Group timely and flexibly adjusted its business strategies and actively responded to the changes and challenges in the macro environment.

Hong Kong Operations

The Group has overcome a difficult year in the 2022 with the outbreak of fifth wave of Covid-19 pandemic but has seized the business opportunity of the distribution of consumption voucher from the Government. In January 2022, the outbreak of the fifth wave of the pandemic hit the recovering economy and the retail sector remained weak. Consequently, the Group's sales performance in the first quarter of 2022 was affected. In the second quarter of 2022, fueled by a new round of Consumption Voucher Scheme introduced by the government and the relatively stable pandemic condition, the Group's sales performance was slightly improved. Its sales performance in the month, when the second round of the consumption voucher was issued by the government, was also better than that in other months. In the second half of the year, the external environment worsened. The stock markets slipped and the major central banks raised interest rates sharply. Under the pressure of global inflation, the interest rate on Hong Kong dollar denominated borrowings rose. Given the tightened financial conditions, no significant improvement was seen in the citizens' consumption sentiment. However, sales performance was stabilized in those months in the second half year when the government issued the other round of consumption voucher.

Facing the increase of merchandise costs pressure, the Group continued to increase the proportion of its house brand products, e.g. Topvalu and HomeCoordy to improve its gross margins.

After the opening of AEON STYLE in Mong Kok in 2021, the Group opened the fourth AEON STYLE store in Hong Kong in Domain, Yau Tong in February 2022, delivering higher quality, more convenient and more pleasant shopping experience to the customers in neighboring areas. To consolidate and optimize its resource allocation, the Group closed its Lam Tin Store in March 2022.

As for the small specialty store business, the Group continued to advance its strategic cooperation with Daiso Japan (Daiso Industries Co., Ltd.) ("**DAISO**") and expanded the network of such stores. In June 2022, DAISO's flagship store was opened in Mong Kok and it introduced Threeppy, a new brand adopting the theme "Happy Life Begins with 300 Yen", for the first time. With the existing foundation of DAISO, the store offers more products directly imported from Japan and more diverse product categories to satisfy the daily needs of different customers.

To expedite the development of AEON Hong Kong's specialty restaurant chain business, the Group entered into a regional franchise agreement in May 2022 with KOMEDA Co., Ltd, a well-known coffee shop chain, which originated from Nagoya, Japan, with the aim of operating business of "KOMEDA's Coffee" in Hong Kong. The first "KOMEDA's Coffee" in Hong Kong was opened at AEON STYLE Whampoa Store in October 2022, offering customers "the most relaxing place" and a brand-new Japanese dining experience.

To pursue digital upgrades, in the fourth quarter of 2022, the Group introduced cashiering machine that accept payment and exchange cash for customers in order to reduce the workload of cashiers and make better use of existing resources to enhance the quality of services. During the year, the Group also carried out the upgrading of the AEON App, updating and improving the existing design and services. Hence, by providing better user experience, the customer relationship management has been optimised, the operational efficiency has been raised and the costs have been reduced. It is expected it will further drive the performance of the e-commerce business.

During 2022, revenue from the Group's Hong Kong operations has reached its second highest record and increased by 1.5% to HK$4,585.3 million (2021: HK$4,516.2 million). This segment results recorded a loss of HK$124.2 million during the year (2021: loss of HK$184.1 million).

PRC Operations

During the year, the ''dynamic zero-COVID'' pandemic prevention policy characterized by rapid lockdowns, large-scale testing and long quarantine time had dealt a blow to the Chinese economy. The real estate industry, which accounts for a quarter of the PRC economy, also faced crisis that aggravated the deterioration of overall economic environment. According to the National Bureau of Statistics, the annual GDP of the PRC was 3.0% in 2022, which is far below the 5.5% GDP growth target set by the authorities. The pace of economic recovery in the country was also slow due to weak domestic demand and volatile international conditions.

In the first half of 2022, there was mass COVID-19 outbreak in the PRC, with confirmed cases in Guangdong Province and Shenzhen. To comply and follow respective pandemic prevention measures imposed by local governments, the Group had to temporarily shut down some of its stores and shorten business hours during the year, resulting in a reduction in overall customer flow and causing certain impact on its business.

Domestic economic growth continued to slow down in the second half year as the nationwide pandemic situation heated up with surging number of confirmed cases. At the end of the year, the Chinese government announced the relaxation of prevention measures and epidemic rebound followed immediately. Since the medical systems in the community endured greater pressure and the society has not yet returned to normal operations, consumption sentiment remained weak.

During the year 2022, the Group continued to review the performance of its stores and closed the underperforming store in Dalang, Dongguan in May 2022 and one supermarket in Guangzhou in December 2022 to lighten its financial burden. In addition, in December 2022, the Group executed its previously set store opening plan and inaugurated a new supermarket in Guangzhou.

Revenue from PRC operations in 2022 decreased by 1.0% to HK$4,986.0 million (2021: HK$5,038.7 million). During the year, the PRC business recorded a loss of HK$117.5 million (2021: loss of HK$265.0 million).

Financial review

In the year 2022, the Group's revenue increased by 0.2% year-on-year to HK$9,571.3 million (2021: HK$9,554.9 million). Gross profit margin reached 29.5% (2021: 28.9%).

As for other income, income derived from sub-lessees and others decreased by HK$34.9 million (2021: increased by HK$52.2 million), affected by the COVID-19 pandemic in the year. However, government grants received from the Hong Kong government and municipal governments in the PRC increased by HK$18.9 million to HK$28.9 million (2021: HK$10.0 million). Other income resulted in an overall decrease by 3.2% as compared with last year.

For operating expenses during the year 2022, the Group's staff cost decreased by 0.1% and its ratio to revenue maintained at 11.5% (2021: 11.5%). Expenses related to leases decreased by 8.2% and the ratio of expenses to revenue also decreased to 11.6% (2021: 12.7%). Other operating expenses, including advertising, promotion and selling expenses, maintenance, repair and building management fees, utility expenses, administrative expenses and other expenses, increased by 1.1% year-on-year and the ratio of other expenses to revenue was 11.7% (2021: 11.6%).

Included in other gains and losses, amongst others, was exchange loss of HK$25.5 million (2021: exchange gain of HK$15.6 million). In addition, impairment loss in respect of goodwill of HK$ Nil million (2021: HK$62.8 million), impairment loss in respect of property, plant and equipment of HK$26.7 million (2021: HK$31.1 million) and impairment loss in respect of right-of-use assets of HK$1.9 million (2021: HK$97.2 million) were recognized in the year.

Due to the above changes, loss attributable to owners of the Company for the year was HK$219.9 million (2021: loss of HK$470.0 million), representing a decrease of HK$250.1 million.

The Group's adjusted EBITDA (which is defined by EBITDA less interest on lease liabilities and repayment of lease liabilities) for the year was loss HK$60.8 million (2021: loss HK$65.9 million), decreased by HK$5.1 million.

The Board proposed a final dividend of HK$0.02 (2021: HK$0.02) per share for the year ended 31 December 2022. In the recommendation or declaration of dividends, the Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant. Together with the interim dividend of HK$0.03 (2021: HK$0.03) per share paid in the year, total dividends for the year is HK$0.05 (2021: HK$0.05) per share.

During the year, capital expenditure for opening new stores and store renovation in Hong Kong and the PRC and the upgrade of information technology systems amounted to HK$94.3 million.

The Group also entered into new lease agreements and lease modifications in the year and recognized additional right-of-use assets of HK$173.5 million (2021: HK$268.3 million).

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$1,423.4 million as at 31 December 2022 (2021: HK$1,833.6 million). The Group had no bank borrowing and therefore gearing ratio (which is defined by dividing bank borrowings to equity) was not applicable. The Group had sufficient internal resources to finance future business expansions.

Exchange rate fluctuation had no material impact on the Group's retail business during the year ended 31 December 2022 as less than 5% of the Group's total purchases were settled in foreign currencies other than the functional currencies in Hong Kong and in the PRC. The Group did not have a foreign currency hedging policy and will consider entering into hedging instruments should the need arises.

The Group's capital structure comprises wholly of equity capital without any bank borrowing throughout the year ended 31 December 2022.

As at 31 December 2022, deposits of HK$23.7 million (2021: HK$28.0 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$6.7 million (2021: HK$8.0 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 31 December 2022 amounted to HK$3,481.3 million (2021: HK$4,366.3 million), of which HK$827.0 million (2021: HK$833.9 million) is payable within one year. The Group's lease liabilities to equity ratio as at 31 December 2022 (defined as the total lease liabilities divided by total equity) was 3,417% (2021: 1,353%).

As at 31 December 2022, the Group's current liabilities exceeded its current assets by HK$615.8 million (2021: net current liabilities of HK$461.3 million). The Directors considered that the Group had sufficient financial sources available to fund its operations in the foreseeable future and would be able to meet its financial obligations when they fall due.

The Group planned to invest approximately HK$128 million in the year 2023 for new store openings, store renovations and investments in digital transformation, which will be financed by internal resources.

Human resources

As at 31 December 2022, the Group had approximately 5,600 full-time and 3,800 part-time employees in Hong Kong and the PRC. 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.

For the six months ended 30 June 2023

Please refer to the paragraph headed "FINANCIAL AND TRADING PROSPECT OF THE GROUP" in this Appendix.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the rental value of the Property, to be leased by the Group, as at 15 August 2023.

CUSHMAN & WAKEFIELD
戴 德 梁 行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

16 October 2023

The Directors
AEON Stores (Hong Kong) Co., Limited
Units 07-11, 26/F, CDW Building
388 Castle Peak Road
Tsuen Wan
New Territories

Dear Sirs,

Re: Portions of Basement Level 1 and Basement Level 2, AEON Baotai Store, PO PARK, (Tianhuicheng Plaza), No. 1 East Railway Road, Tianhe District, Guangzhou, Guangdong Province, the PRC
(中華人民共和國廣東省廣州市天河區東站路1號東方寶泰(天匯城廣場)永旺寶泰店地下一、二層部分) (the "Property")

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of AEON Stores (Hong Kong) Co., Limited (the "**Company**") for us to provide our opinion of the market rent of the Property to be leased by the Company or its subsidiary (collectively the "**Group**") in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing the Company with our opinion of market rent the Property as at 15 August 2023 (the "**Valuation Date**") for regulatory circular purpose.

VALUATION BASIS

Our valuation of the Property represent its market rent which in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Except otherwise stated, we confirm that the valuation is undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTION

Our valuation of the Property excludes an estimated rent inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the letting, or any element of value available only to a specific lessor or lessee.

Our valuation has been made on the assumption that the lessor leases or lets the Property on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the market rent of the Property.

Unless otherwise stated, our valuation of the Property is on a 100% interest basis.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a lease.

Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and onerous nature which could affect its market rent.

METHOD OF VALUATION

In valuing the Property, we have adopted Market Comparison Method which is universally considered the most acceptable method for assessing the rent of most forms of real estate. This involves the analysis of recent market rental evidences of similar properties to compare with the Property under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the Property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the Property.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or identification of the Property, tenancy information, particulars of occupancy, floor area and all other relevant matters. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration in English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided with the copies of real estate title certificates relating to the current title to the Property by the Company. The lessor of the tenancy agreement is the legal owner of the Property.

In valuing the Property, we have assumed that the owner of the Property has an enforceable title to the Property and has free and uninterrupted rights to use, occupy, assign or lease the Property for the whole or part of the unexpired term as granted. We have not verified the authentication of the real estate title certificates and we assume that the copies of the relevant documents provided by the Company are true and accurate.

SITE INSPECTION

Ms. Kelly Wu, with 4 years of experience in property valuation in the PRC, of our Guangzhou office inspected the exterior and, wherever possible, the interior of the Property on 23 August 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi ("**RMB**"), the official currency of the PRC.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property to be leased by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 15 August 2023
Portions of Basement Level 1 and Basement Level 2, AEON Baotai Store, PO Park (Tianhuicheng Plaza), No. 1 East Railway Road, Tianhe District, Guangzhou, Guangdong Province, the PRC. (中華人民共和國廣東省廣州市天河區東站路1號東方寶泰(天匯城廣場)永旺寶泰店地下一、二層部分)	PO Park, as known as Tianhuicheng Plaza is located at in the central business district of Guangzhou. It is a comprehensive shopping mall comprising 4 storeys completed in about 2009. Situated on East Railway Road, PO Park is located at the Tianhe North commercial hub. It is bordered by the Guangzhou East Railway Station and Citic Plaza to the south. Nearby developments mainly consist of commercial, office, hotel and residential projects. Developments in vicinity comprise mainly commercial and residential buildings. It is served by public bus routes and subway. The Property comprises portions of Basement Level 1 and Basement Level 2 of AEON Baotai Store in PO Park. AEON Baotai Store is subject to an existing tenancy of 15.5 years due to expire on 31 October 2024. The landlord and the tenant (the Company) entered into an offer letter on 11 October 2023 regarding the Company's surrender of portion of the AEON Baotai Store and the lease of a smaller portion of the AEON Baotai Store as further described below for 15.5 years due to expire on 31 October 2039 (See Note 2).	As at the Valuation Date, the Property was leased by the Company as AEON Store.	RMB1,700,000 (RENMINBI ONE MILLION SEVEN HUNDRED THOUSAND) per month, exclusive of value-added tax, building management fees and utilities charges for a period of 15.5 years commencing on the Valuation Date (see Note 1)
	Pursuant to the offer letter provided by the Company, the total lettable area to be occupied will be 16,275.16 sq.m. with details as follows:	–	–

Floor	Lettable Area (sq.m.)
B1	117.31
B2	16,157.85
Total	**16,275.16**

Pursuant to the offer letter provided by the Company, the area for assessing payable rent is 16,157.85 sq.m., excluding Basement Level 1 as it is designated for waste disposal and janitorial facilities.

Notes:

(1) The rental valuation is conducted on the assumption that the Property is let for a term of 15.5 years from the valuation date without varying rent, turnover rent or rental incentive.

(2) We have been provided by the Group with an offer letter with salient terms below:

Landlord	:	Guangzhou Sky Metro City Company Limited 廣州東站天匯城有限公司
Tenant	:	Guangdong AEON Teem Co., Ltd. 廣東永旺天河城商業有限公司
The Property	:	Portions of Basement Level 1 and Basement Level 2, PO Park, No. 1 East Railway Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市天河區東站路1號東方寶泰地下一、二層部份)
Lettable Area	:	16,275.16 sq.m including 117.31 sq.m. on Basement Level 1 for waste disposal and janitorial facilities and 16,157.85 sq.m. on Basement Level 2 for assessing payable rent
Lease Term	:	From 7 May 2024 to 31 October 2039
Monthly Rent*	:	RMB1,384,959 from 7 May 2024 to 6 May 2025 RMB1,454,207 from 7 May 2025 to 6 May 2027 RMB1,526,532 from 7 May 2027 to 6 May 2029 RMB1,603,474 from 7 May 2029 to 6 May 2031 RMB1,683,494 from 7 May 2031 to 6 May 2033 RMB1,768,130 from 7 May 2033 to 6 May 2035 RMB1,855,844 from 7 May 2035 to 6 May 2037 RMB1,948,175 from 7 May 2037 to 31 October 2039

* *Exclusive of value-added tax, building management fees and utilities charges*

(3) According to State-owned Land Use Rights Certificate No. Sui Fu Gou Yong (2003) 252, the land use rights by agreement of a parcel of land with 33,322 sq.m. have been vested in Guangzhou Zhiwei City Real Estates Co. Ltd. (廣州市致威城市房產有限公司) for various terms of 70 years, 40 years and 50 years commencing on 22 April 1996 for residential, commercial, tourism and entertainment and other uses respectively.

(4) According to Construction Land Planning Permit No. Sui Gui Jiang Zi (1996) 345 issued by the Guangzhou Urban Planning Authority, the construction works of the plaza in front of the station, basement car park and the high street with a gross floor area of 37,700 sq.m. (above-ground) and 106,000 sq.m. (underground) are in compliance with the urban planning requirements and have been permitted.

(5) According to Construction Planning Completion Acceptance Certificate No. Sui Gui Yan Zheng [2004] 264 issued by the Guangzhou Urban Planning Authority, the construction works of plaza, basement carpark and high street are in compliance of the urban planning requirements.

(6) According to the Commitment Letter regarding the lease of Tianhuicheng dated 5 March 2009, Guangzhou Zhiwei City Real Estates Co. Ltd. has committed to Guangdong AEON Teem Co., Ltd. for the salient terms below:

(a) Guangzhou Zhiwei City Real Estates Co. Ltd. is the owner of Tianhuicheng;

(b) Guangzhou Zhiwei City Real Estates Co. Ltd. leased the whole Tianhuicheng to Guangzhou Sky Metro City Company Limited (廣州東站天匯城有限公司) to operate and manage and it has the rights to sublease and operate; and

(c) As at the issue date of this Commitment Letter, Guangzhou Zhiwei City Real Estates Co. Ltd. has the ownership and the land use rights of Tianhuicheng and there is no ownership dispute.

(7) We have only been provided by the Company with a copy of State-owned Land Use Rights Certificate in relation to the current title to the Property as well as development approval documents but not a PRC property legal opinion. In valuing the Property, we have assumed that the owner of the Property has an enforceable title to the Property and has free and uninterrupted rights to use, occupy, assign or lease the Property for the whole or part of the unexpired term as granted. We have not verified the authentication of the State-owned Land Use Rights Certificate and development approval documents. We have assumed that the copies of relevant documents provided by the Company are true and accurate.

(8) We have assumed that all consents, approvals and licences from relevant government authorities for the development have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

We have assumed that transferable land use rights in respect of the property for a specific land use term at nominal annual land use fee have been granted and that any premium has already been fully settled.

We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments.

(9) Comparable properties are selected based on the following criteria: (i) the lease of comparable properties took place within 3 years; (ii) comparable properties are located in Guangzhou; (iii) the nature of the comparable properties is similar to the Property (i.e. leased to a single anchor brand similar to AEON). The rental comparables identified by us are exhaustive in terms of the above criteria.

We have identified three relevant rental comparables; the unit rents of these comparable properties range from about RMB101 per sq.m. per month on Basement Level 1 and RMB205 per sq.m. per month on Basement Level 2.

The selected rental comparables details are listed below:

	Rental Comparable	**Leased Area** *(sq.m.)*	**Unit Rent** *(RMB/sq.m./ month)*
(1)	Basement Level 2 of a 7-storey shopping mall in Tianhe District	4,800	205
(2)	Basement Level 1 of a 13-storey shopping mall in Tianhe District	3,700	101
(3)	Level 2 of an 8-storey shopping mall in Liwan District	3,600	103

The rental comparables are from our internal proprietary database, hence building names are not disclosed as restricted by confidential agreements to third parties.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects including but not limited to location, size, floor and other physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable properties, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

The adjustments made to arrive at our valuation, include but not limited to:

Adjustment	**Range**
Location and Environment	–5% to +1%
Transportation & Accessibility	–5% to +1%
Size	–15% to –10%
Floor Level	–15% to 0%
Customer Base & Footfall	–5% to 0%
Decoration Standard & Age	–3% to –1%
Ancillary	+2%

In terms of location, environment, transportation, accessibility, customer base and footfall, Comparable 1 is the most superior, an overall downward adjustment hence applied. Comparables 2 and 3 are in a similar position as the Property, minimal adjustments are applied.

Downward adjustments applied to all comparables as they are much smaller in size compared to the Property. Downward floor adjustments were applied to Comparables 2 and 3 due to their proximities to Level 1 compared to the Property as the main retail area of the Property is on Basement Level 2. No floor adjustment applied to Comparable 1 as they are on the same level. Slight upward adjustments regarding ancillary provision is applied to all three comparables as the Property comprises a non-rental assessing ancillary area on Basement Level 1.

In terms of building age and decoration standard, the Property is inferior to the three comparables, respective downward adjustments are applied.

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a unit market rent of RMB105 per sq.m. per month for a total rent-assessing lettable area of 16,157.85 sq.m., equivalent to a sum of approximately RMB1,700,000 per month excluding value-added tax, building management fees and utilities charges.

Based on our independent adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the Property to be fair and reasonable.

(10) Assuming the tenancy of the Property commences on the Valuation Date and is freely disposable and transferable, the capitalised value of the market rent under this 15.5-year tenancy would be in the range of RMB209,000,000 (RENMINBI TWO HUNDRED NINE THOUSAND). We have adopted a capitalisation rate of 5.00%, which is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rate adopted is reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST IN SECURITIES

(A) Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(a) The Company

Name of Director	Number of Ordinary shares held as personal interests	Approximate percentage of interests
NAKAGAWA Isei	15,000	0.00577%
NAGASHIMA Takenori	12,000	0.00462%
HISANAGA Shinya	30,000	0.01154%

(b) AEON Co, the Company's ultimate holding company

Name of Director	Number of shares held as personal interests *(notes)*	Approximate percentage of interests
NAKAGAWA Isei	2,400	0.00028%
HISANAGA Shinya	2,030	0.00023%
FUKUDA Makoto	1,000	0.00011%
GOTO Toshiya	6,300	0.00072%

Note: The shareholding information above has been confirmed by the respective Directors as at the Latest Practicable Date.

(B) Substantial Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, none of the 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 pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of substantial shareholders	Long Positions Number of ordinary shares held	Approximate percentage of the total number of issued shares
AEON Co	157,536,000 *(Note)*	60.59%

Note: These shares are held as to 155,760,000 shares by AEON Co and 1,776,000 shares by AEON Credit Service (Asia) Company Limited ("**ACS**"). ACS is owned by AEON Co as to 281,138,000 shares representing 67.13% of the issued share capital of ACS. AEON Co is deemed to be interested in the 1,776,000 shares owned by ACS.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or proposed Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
FUKUDA Makoto	AEON Co	General Manager of Finance Department
GOTO Toshiya	AEON Co	Executive Officer

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date and which was significant in relation to the business of the Group; and none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

8. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Cushman & Wakefield Limited	Independent property valuer

As at the Latest Practicable Date, the above expert:

(a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they appear;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

11. GENERAL

(1) The registered office of the Company is at G-4 Floor, Kornhill Plaza (South), 2 Kornhill Road, Hong Kong.

(2) The head office and principal place of business of the Company is at Units 07-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.

(3) The share registrar of the Company is Tricor Secretaries Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(4) The secretary of the Company is Mr. Chan Kwong Leung, Eric, who is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of (i) the Stock Exchange (www.hkexnews.hk) and (ii) the Company (www.aeonstores.com.hk) for a period of 14 days from the date of this Circular:

(a) the Offer Letter;

(b) the valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix II to this circular; and

(c) the written consent referred to in the section headed ''Expert and Consent'' of this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders of AEON Stores (Hong Kong) Limited (the "**Company**") will be held as a hybrid meeting physically at Function Room, Units 7-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong with an option for online virtual attendance and participation via an e-meeting system (https://spot-meeting.tricor.hk/#/984) on 31 October 2023 at 10:00 a.m. (the "**EGM**"), to consider and, if thought fit, pass, with or without amendments, the following resolution below as an ordinary resolution.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the circular to shareholders of the Company dated 16 October 2023.

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Offer Letter, a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the Offer Letter and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the Offer Letter and/or the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable.''

By Order of the Board of
AEON Stores (Hong Kong) Co., Limited
CHAN Kwong Leung, Eric
Company Secretary

Hong Kong, 16 October 2023

Registered office:
G-4 Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Notes:

1. The EGM will be a hybrid meeting. Registered shareholders may attend the EGM either (a) in person; or (b) online through the Tricor e-Meeting System (https://spot-emeeting.tricor.hk/#/984) with the personalised login and access code provided by the Company's share registrar, Tricor Secretaries Limited, by post. Registered shareholders attending the EGM through the Tricor e-Meeting System will be able to vote and submit questions online. For non-registered shareholders whose Shares are held by banks, brokers, custodians or HKSCC Nominees Limited who wish to attend the EGM online, they should consult their banks, brokers, custodians or HKSCC Nominees Limited (as the case may be) for the necessary arrangements and the personalised login and access code will be sent to them upon receipt of request through the banks, brokers, custodians or HKSCC Nominees Limited.

2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need no be a member of the Company.

3. In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's share registrar, Tricor Secretaries Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.

4. The Register of Members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Secretaries Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 25 October 2023.

5. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but should there be more than one of such joint holders present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

6. Voting of the ordinary resolutions set out in this notice will be by way of poll.

7. Reference to times and dates in this notice are to Hong Kong times and dates.

8. If Typhoon Signal No. 8 or above is hoisted or remains hoisted at 7: 30 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the Company's website at www.aeonstores.com.hk and the Stock Exchange's website at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled EGM.

   The EGM will be held on Tuesday, 31 October 2023 as scheduled when an Amber or a Red Rainstorm Warning Signal or a Black Rainstorm Warning Signal is in force in Hong Kong at any time on that day. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.