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 ACQUISITIONS IN RELATION TO RENEWAL OFFER I AND RENEWAL OFFER II AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 21 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Function Room, Units 7-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Friday, 31 May 2024 at 4:00 p.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, 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, at 17th 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 at the extraordinary general meeting or any adjourned meeting if you so wish.

16 May 2024

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
"Agent I"	Hang Lung Real Estate Agency Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Hang Lung Properties Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 101)
"Agent II"	Henderson Leasing Agency Limited (恒基租務代理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 12)
"Agents"	Agent I and Agent II
"Board"	the board of Directors
"Building I"	the building known as Kornhill Plaza, 2 Kornhill Road, Hong Kong
"Building II"	the building known as Skyline Plaza at 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong
"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation, and amortization

"EGM"	the extraordinary general meeting of the Company to be held on Friday, 31 May 2024 (and any adjournment thereof) to consider the resolutions relating to the Renewal Offer I, Renewal Offer II and the respective transactions contemplated thereunder
"Existing Lease Agreements I"	the existing lease agreement dated 23 November 2018 and the letter of extension dated 12 April 2024 entered into by the Company and the Agent I, as agent for the Landlord I, in respect of the Premises I for a term of six (6) years from 1 April 2018 and extended two months to 31 May 2024 (both dates inclusive), and for the Company's operation of a retail store and the rent of which consisted of monthly basic rent and additional turnover rent as follows: monthly basic rent of HK$12,420,000 for the 1st to 2nd year; HK$13,165,200 for the 3rd to 4th year; and HK$13,955,112 for the 5th to 6th year and the said two months extension; and additional turnover rent at progressive rates of 5% to 8% on such portion of the Company's annual gross turnover which exceeds HK$900 million are payable by the Company throughout the whole fixed term
"Existing Lease Agreements II"	the existing lease agreement dated 9 April 2015 entered into by the Company and the former landlords (subsequently assigned to the Landlord II) in respect of the Premises II for a term from 1 June 2012 to 31 May 2024 (both dates inclusive), for the Company's operation of a retail store and the rent of which consisted of monthly basic rent and additional turnover rent as follows: monthly basic rent of HK$2,800,000 for the 1st to 3rd year; HK$3,123,026.5 for the 4th to 6th year; HK$3,435,329 for the 7th to 9th year and HK$3,778,862 for the 10th to 12th year; and additional turnover rent payable in accordance with the Company's turnover and at progressive rates, ranging from nil to 5.5% of the different tier of sales turnover amounts, starting from HK$500 million to HK$1,100 million
"GBA"	the Guangdong-Hong Kong-Macao Greater Bay Area

"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollar, 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(s) who/which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
"Landlord I"	Hang Fine Company Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Hang Lung Properties Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 101)
"Landlord II"	Keep Goal Limited (協浩有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 12)
"Landlords"	Landlord I and Landlord II
"Latest Practicable Date"	10 May 2024, 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
"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"	Premises I and Premises II
"Premises I"	all those portions of the Ground Floor, First Floor, Second Floor, Third Floor and Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Hong Kong, with total lease area, based on information available to the Company, of approximately 260,000 square feet
"Premises II"	all those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong with a lettable floor area, based on information available to the Company, of approximately 165,749 square feet
"Renewal Offer I"	the conditional Renewal Offer in respect of the Premises I conditionally signed by the Company and the Agent I, as agent for the Landlord I, on 9 May 2024
"Renewal Offer II"	the conditional Renewal Offer in respect of the Premises II signed by the Company on 9 May 2024 and subject to execution by the Agent II (as agent for the Landlord II)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holders of the shares of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

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. Toshiya GOTO *(Chairman)*
Mr. Isei NAKAGAWA
Mr. Makoto FUKUDA
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 May 2024

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITIONS IN RELATION TO RENEWAL OFFER I AND RENEWAL OFFER II AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company both dated 9 May 2024 in relation to, among other things, the Renewal Offer I and the Renewal Offer II, respectively.

On 9 May 2024, the Company, as tenant, and the Agent I, as agent of the Landlord I, entered into the Renewal Offer I to renew the tenancy of the Premises I for a fixed term of four (4) years from 1 June 2024 to 31 May 2028 (both days inclusive) together with an option to renew for a further term of three (3) years. The Premises I have been leased by the Company since 1987 for operating its retail businesses therein.

On 9 May 2024, the Company, as tenant, signed the conditional Renewal Offer II for renewal of the tenancy of the Premises II for a fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive). The Renewal Offer II is subject to the execution by the Agent II as agent of the Landlord II. The Premises II have been leased by the Company since 1 June 2012 for operating its retail businesses therein.

The purpose of this circular is to provide you with (i) the details of the Renewal Offer I and the Renewal Offer II; (ii) the valuation of the leasehold interests of the Premises I and Premises II and (iii) the general and financial information of the Group.

RENEWAL OFFER I

The principal terms of the Renewal Offer I are as follows:

Date	Signed by the Company and the Agent I on 9 May 2024
Parties:	(a) the Company, as tenant; and (b) the Agent I, as agent for the Landlord I
Premises I:	All those portions of the Ground Floor, First Floor, Second Floor, Third Floor and Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Hong Kong
Handover condition:	On an "as-is" condition together with the Landlord I's fixtures and fittings
Term of tenancy:	A fixed term of four (4) years commencing from 1 June 2024 to 31 May 2028 (both days inclusive) together with an option to renew for a further term of three (3) years. Provided that if the condition precedent is not fulfilled on or before 1 June 2024, the fixed term of tenancy of four (4) years shall only commence on the date of fulfillment.

Rent for the term:	The total basic rent payable under the Renewal Offer I in respect of the fixed term is approximately HK$683.3 million (exclusive of management fee, air-conditioning charges, government rates, other utility charges and outgoings). The monthly basic rent payable for the 1st year of the term of tenancy is HK$13,955,200.00, that payable for the 2nd to 3rd year of the term of tenancy is HK$14,234,300.00 and that payable for the 4th year of the term of tenancy is HK$14,519,000.00. Based on the above, the annual basic rent payable for the 1st year of the term of tenancy is approximately HK$167.5 million, that payable for the 2nd to 3rd year of the term of tenancy is approximately HK$170.8 million and that payable for the 4th year of the term of tenancy is approximately HK$174.2 million. The basic rent is payable in advance on the first day of each calendar month. Additional turnover rent at progressive rates of 5% to 6% on such portion of the Company's annual gross turnover which exceeds HK$1,300 million are payable by the Company throughout the whole fixed term. Additional turnover rent, if payable, shall be payable in arrears within two (2) months after the end of each 12-month period of the term of tenancy.

The rent (including the basic rent and additional turnover rent) under the Renewal Offer I has been determined after arm's length negotiations between the Company and the Landlord I, after taking into consideration the prevailing market price for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises I and the existing rental under the Existing Lease Agreements I. In determining the prevailing market rent for comparison, the Company had conducted market research, such as obtaining publicly available lease transactions information of properties of similar usage within the Kornhill district. As a comparison, in both the Existing Lease Agreements I and the Renewal Offer I, the incremental rate for rental unit rates is maintained at a low single digit. As the rental unit rates payable by the Company throughout the term of the tenancy under the Renewal Offer I are within the range of market rent levels in the referenced lease transactions considered by the Company, in particular taking into account the prime location of the Premises I (being situated right above the Taikoo station and surrounded by a dense residential area) and the connection of the Premises I through footbridges to the other commercial developments, the Company is of the view that the rent payable under the Renewal Offer I is no less favourable to the Company compared to prevailing market rent. The Company also noted that, for reference purposes, the monthly basic rent for the first year of the lease term under the Renewal Offer I of approximately HK$14.0 million is similar to and slightly lower than the monthly market rent of HK$14.2 million as at 30 April 2024 as set out in the valuation report in Appendix II to this circular. According to the valuer, the valuation report is prepared on the basis of direct comparison to the monthly basic rent of the Premises I. Pursuant to the Renewal Offer I, apart from monthly basic rent, turnover rent is also payable but of a contingency nature which is payable only if the sales turnover of the Company exceeds the stipulated threshold in the Renewal Offer I. When the payment of additional turnover rent is triggered, despite the absolute amount of total rent payable by the Company will be increased, the overall impact of the total rent to the total sales turnover generated by the business operation in the Premises I will be on a diminishing scale. Taking into account all the above factors and in particular that the rental unit rates for the rent payable by the Company throughout the term of tenancy under the Renewal Offer I are within the range of market rent in the referenced lease transactions considered by the Company, the Company is of the view that the rent is fair and reasonable and on normal commercial terms.

The rent payable under the Renewal Offer I will be satisfied by internal resources of the Group.

Management fee, and air-conditioning charges:	The total management fee and air-conditioning charges payable during the fixed term of tenancy under the Renewal Offer I is approximately HK$145.8 million. The monthly management fee and air-conditioning charges are payable to the Landlord I monthly in advance on the 1st day of each calendar month (subject to periodic reviews by the Landlord I or the manager of the Building I).
Government rates:	To be borne by the Company solely and subject to revision by the government.
Usage:	For the Company's operation of a general merchandise store in the name of ''AEON STYLE'' including supermarket, food & beverage, fashion and accessories, children's toys and wear, amusement center, household products, electrical appliances & audio and video products and other business incidental to a general merchandise store which is approved by the Landlord I (such approval shall not be unreasonably withheld or delayed).
Deposit:	A deposit in the sum of approximately HK$52.8 million of which approximately HK$50.8 million will be transferred from the Existing Lease Agreements I subject to any deduction by the Landlord I in accordance with the terms of the Existing Lease Agreements I.
The lease:	The Company shall execute and return to the Landlord I the lease agreement within fourteen (14) days upon notification or presentation of the mutually agreed lease or before the commencement of the lease term, whenever is earlier. Should the Company fail to execute the said lease within fourteen (14) days from notice, the Landlord I is entitled to, among other things, enforce against the Company all the terms and conditions of the Renewal Offer I.

Option to renew:	Subject to due performance by the Company, the Company shall be entitled to renew the tenancy for a further term of three (3) years from the date immediately following the expiry of the fixed term of the tenancy under the Renewal Offer I in accordance with the mechanism for the exercise of the option and the determination of the basic rent and turnover rent contained in the Renewal Offer I. In order to exercise the option, the Company shall give written notice of renewal to the Landlord I no earlier than a date falling after the expiry of the 39th month nor no later than the expiry of the 40th month of the term of tenancy. Subject to the Company's compliance with the applicable requirements under the Listing Rules including the obtainment by the Company of its shareholders' approval, the Landlord I agrees to grant the Company a further term of three (3) years from the date immediately following the expiry of the Renewal Offer I and the parties will enter into a new lease agreement. The parties shall then negotiate the basic rent and the additional turnover rent for the further term in good faith and mutual agreement. Where consensus cannot be reached, both parties shall jointly appoint an independent valuer to assess the open market rent which shall be expressed in the combination of basic rent and additional turnover rent and at a level no less than the rent paid (for basic rent) and the calculation mechanism (for additional turnover rent) in the last year of the term of tenancy under the Renewal Offer I.
Sale or redevelopment:	Should the Landlord I (i) enter into a contract to sell the Premises I, the Building I or any part thereof to any purchaser or (ii) resolve to redevelop, refurbish, demolish or renovate the Building I or any part thereof including the Premises I, the Landlord I shall have the right to terminate the Renewal Offer I or the lease by giving the Company not less than six (6) months' prior written notice without any compensation, which written notice shall not be served by the Landlord I within the first forty-two (42) months from the commencement of the term of tenancy.
Renovation:	The Company shall carry out renovation on the Third Floor of the Premises I with trade mix refined to the Landlord I's satisfaction.
Stamp duty:	The Company agrees to bear and pay all stamp duty arising out of the Renewal Offer I in equal shares with the Landlord I.

Yield-up:	The Company shall, at its own costs and expenses, reinstate the Premises I to the "bare-shell" condition and deliver up vacant possession of the Premises I to the Landlord I at the expiration or sooner determination of the Renewal Offer I in accordance with its terms.
Condition precedent:	The Renewal Offer I shall be conditional upon the Company's obtainment of the Shareholders' approval of the Renewal Offer I at the EGM and compliance with all applicable requirements under the Listing Rules. Where the condition precedent is not fulfilled on or before 1 June 2024, subject to the Landlord I's right to terminate the Renewal Offer I in the event of undue delay (in fulfillment of the condition precedent) for over one (1) month from 1 June 2024, the Company shall take possession of the Premises I from 1 June 2024 on a monthly basis on the terms and conditions set out in the Existing Lease Agreements I until the condition precedent is fulfilled.

The principal terms of the proposed lease in respect of the Premises I are consistent with that of the Renewal Offer I and are summarised as follows:

Parties:	(a) the Company, as tenant; and
	(b) the Agent I, as agent for the Landlord I
Term of tenancy:	A fixed term of four (4) years commencing from 1 June 2024 to 31 May 2028 (both days inclusive) together with an option to renew for a further term of three (3) years
Premises I:	All those portions of the Ground Floor, First Floor, Second Floor, Third Floor and Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Hong Kong

Rent for the term:	The total basic rent payable under the Renewal Offer I in respect of the term is approximately HK$683.3 million (exclusive of management fee & air-conditioning charges, government rates, other utility charges and outgoings). Additional turnover rents at progressive rates of 5% to 6% on such portion of the Company's annual gross turnover which exceeds HK$1,300 million are payable by the Company throughout the whole fixed term.
Deposit:	A deposit in the sum of approximately HK$52.8 million of which approximately HK$50.8 million will be transferred from the Existing Lease Agreements I subject to any deduction by the Landlord I in accordance with the terms of the Existing Lease Agreements I.
Usage:	For the Company's operation of a retail store in the name of "AEON STYLE" including supermarket, food & beverage, fashion and accessories, children's toys and wear, amusement center, household products, electrical appliances & audio and video products and other business incidental to a general merchandise store which is approved by the Landlord I (such approval shall not be unreasonably withheld or delayed)

RENEWAL OFFER II

The principal terms of the Renewal Offer II are as follows:

Date:	Signed by the Company on 9 May 2024
Parties:	(a) the Company, as tenant; and (b) the Agent II, as agent for the Landlord II
Premises II:	All those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong
Handover condition:	On an "as-is" condition together with the Landlord II's fixtures and fittings
Term of tenancy:	A fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive)

Rent for the term:	The total basic rent payable under the Renewal Offer II in respect of the term is approximately HK$314.6 million (exclusive of government rates, service charges, other charges, and outgoings). The monthly basic rent payable for the 1st to 3rd year of the term of tenancy is HK$4,330,000 and that payable for the 4th to 6th year of the term of tenancy is HK$4,830,000. Based on the above, the annual basic rent for the 1st to 3rd year of the term of tenancy is approximately HK$52.0 million and for the 4th to 6th year of the term of tenancy is approximately HK$58.0 million.
	Additional turnover rents (a) being 8% of the monthly gross turnover less the monthly basic rent ("**ATRA**"); and (b) being 3% of the monthly gross turnover of the Company's permitted licensees' food and beverage business ("**ATRB**") are payable by the Company throughout the whole fixed term.

The rent (including the basic rent and additional turnover rent) under the Renewal Offer II has been determined after arm's length negotiations between the Company and the Landlord II, after taking into consideration the prevailing market price for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises II and the existing rental under the Existing Lease Agreement II. In determining the prevailing market rent for comparison, the Company had conducted market research, such as obtaining publicly available lease transactions information of properties of similar usage within the Tsuen Wan district. As the rental unit rates payable by the Company throughout the term of the tenancy under the Renewal Offer II are within the range of market rent levels in the referenced lease transactions considered by the Company, in particular taking into account the prime location of the Premises II (being situated near the Tsuen Wan West station and surrounded by a dense residential area) and the connection of the Premises II to the extensive foot bridge system in the district, the Company is of the view that the rent payable under the Renewal Offer II is no less favourable to the Company compared to prevailing market rent. Although the rental unit rate for the first three years of the term of tenancy under the Renewal Offer II represents an increase of approximately 14.6% as compared to that for the last three years under the Existing Lease Agreement II, the increment rate for rental unit rate for the 4th to 6th year of the term of tenancy under the Renewal Offer II are in the same range as that under the Existing Lease Agreement II. The Company also noted that, for reference purposes, the monthly basic rent for the first to third year of the lease term under the Renewal Offer II of approximately HK$4.3 million is similar to and slightly lower than the monthly market rent of approximately HK$4.4 million as at 30 April 2024 as set out in the valuation report in Appendix II to this circular. According to the valuer, the valuation report is prepared on the basis of direct comparison to the monthly basic rent of the Premises II. Pursuant to the Renewal Offer II, apart from monthly basic rent, turnover rent is also payable but of a contingency nature which is payable only if the sales turnover of the Company exceeds the stipulated threshold in the Renewal Offer II. When the payment of additional turnover rent is triggered, despite the absolute amount of total rent payable by the Company will be increased, the overall impact of the total rent to the total sales turnover generated by the business operation in the Premises II will be on a diminishing scale. Taking into account all the above factors and having also considered the development of various residential properties in the vicinity of the Premises II as compared to the situation when the Existing Lease Agreement II was entered into 12 years ago and in particular that the rental unit rates throughout the entire term of tenancy under the Renewal Offer II are within the range of market rent in the referenced lease transactions considered by the Company, the Company is of the view that the rent is fair and reasonable and on normal commercial terms.

The basic rent is payable monthly in advance on the 1st day of each calendar month. The ATRA and ATRB are calculated separately on monthly basis and payable by the Company in arrears by the 30th day of the immediately following calendar month provided that no ATRA is payable for deficit results (i.e. if 8% of the monthly gross turnover does not exceed the monthly basic rent) and which shall not be carried over to the next month. Within four months from the end of each calendar year or sooner determination of the term of tenancy, the Company shall provide the Landlord II with a statement certified by its auditors as to the actual amount of the Company's turnover for the relevant year. If the actual sum paid by the Company shall exceed or be less than the additional turnover rent calculated based on the said statement, any excess shall be refunded by the Landlord II and any shortfall shall be paid by the Company within thirty (30) days of the Landlord II's receipt of the said statement.

The rent payable under the Renewal Offer II will be satisfied by internal resources of the Group.

Service charges:	HK$106,673.00 per month payable to the Landlord II monthly in advance on the 1st day of each calendar month (subject to periodic reviews by the Landlord II or the manager of the Building II)
Government rates:	HK$181,000.00 per month payable to the Landlord II monthly in advance on the 1st day of each calendar month (subject to adjustment by the Hong Kong government)
Rent-free periods:	Three (3) months and fifteen (15) days from 1 June 2024 to 15 September 2024 (both days inclusive) but the Company shall continue to pay government rates, service charges and all other outgoings, if any, payable during this rent-free period
Usage:	For the Company's operation of general merchandise store in the name of "AEON" and/or "AEON STYLE"
Deposit:	A cash deposit in the sum of approximately HK$9.9 million, a fitting out deposit in the sum of approximately HK$0.4 million and a bank guarantee in the sum of approximately HK$4.9 million.

The lease:	The lease of the Premises II shall be in the Landlord II's standard *pro forma* lease and shall contain the terms and conditions of the Renewal Offer II. Should the Company fail to execute the said lease, the Landlord II may choose to continue with the binding Renewal Offer II.
Stamp Duty:	Stamp duty arising out of the Renewal Offer II and the lease shall be borne and paid by the parties equally
Condition precedent:	The Renewal Offer II shall be conditional upon the Company's obtainment of the Shareholders' approval of the Renewal Offer II at the EGM and compliance with all applicable requirements under the Listing Rules.

The principal terms of the proposed lease in respect of the Premises II are consistent with that of the Renewal Offer II and are summarised as follows:

Parties:	(a) the Company, as tenant; and (b) the Agent II, as agent for the Landlord II
Term of tenancy:	A fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive)
Premises II:	All those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong
Rent for the term:	The total basic rent payable under the Renewal Offer II in respect of the term is approximately HK$314.6 million (exclusive of government rates, service charges, other charges, and outgoings). Additional turnover rents (a) being 8% of the monthly gross turnover less the monthly basic rent; and (b) being 3% of the monthly gross turnover of the Company's permitted licensees' food and beverage business are payable by the Company throughout the whole fixed term
Deposit:	A cash deposit in the sum of approximately HK$9.9 million, a fitting out deposit in the sum of approximately HK$0.4 million and a bank guarantee in the sum of approximately HK$4.9 million.
Usage:	For the Company's operation of general merchandise store in the name of "AEON" and/or "AEON STYLE"

INFORMATION ON THE PARTIES

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

The Landlord I and the Agent I are principally engaged in property leasing and real estate agency activities, respectively.

The Landlord II and the Agent II are principally engaged in property investment and real estate agency activities, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlords, the Agents and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE RENEWAL OFFER I AND RENEWAL OFFER II

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 lease retail stores for operating its retail businesses from time to time. Each of the retail stores, especially sizable stores like the Premises I and Premises II, 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 Premises I have been leased by the Company from the Landlord I since 1987 for operating its retail businesses therein. As the Existing Lease Agreements I will expire on 31 May 2024, the Company and the Agent I (as agent for the Landlord I) have conditionally entered into the Renewal Offer I to extend the lease of the Premises I to 31 May 2028 with an option for the Company to renew for a further term of three (3) years.

The Premises II have been leased by the Company since 1 June 2012 for operating its retail businesses therein under the Existing Lease Agreement II. As the Existing Lease Agreement II will expire on 31 May 2024, the Company has issued the Renewal Offer II to the Agent II (as agent for the Landlord II) to extend the lease of the Premises II to 31 May 2030.

The terms of the Renewal Offer I and Renewal Offer II, including the rental charge, were determined after arm's length negotiations between the relevant parties and with reference to the respective prevailing market price for comparable properties and the existing rental under the Existing Lease Agreements I and Existing Lease Agreement II. The entering into of the Renewal Offer I and the Renewal Offer II 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 Renewal Offer I and Renewal Offer II (and the transactions contemplated thereunder) are on normal commercial terms and are fair and reasonable and the entering into of the Renewal Offer I and Renewal Offer II (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 TRANSACTIONS CONTEMPLATED UNDER THE RENEWAL OFFER I AND RENEWAL OFFER II

In accordance with HKFRS 16 "Leases", the entering into of the Renewal Offer I and Renewal Offer II by the Company as tenant will require the Group to recognise the right-of-use assets arising from the extension of lease terms created thereunder. 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 to be recognised by the Group under the Renewal Offer I and Renewal Offer II in respect of the tenancy terms amounted to approximately HK$587.4 million and approximately HK$243.8 million respectively.

As a result, upon entering into of the Renewal Offer I and Renewal Offer II:

(i) the Group's total consolidated assets are estimated to increase by approximately HK$831.2 million upon the initial recognition of right-of-use assets due to the tenancy terms created under the Renewal Offer I and the Renewal Offer II; and

(ii) the Group's total consolidated liabilities are estimated to increase by approximately HK$796.1 million upon the initial recognition of lease liability as a result of the tenancy terms created under the Renewal Offer I and the Renewal Offer II.

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 HK$146.8 million and HK$40.6 million for the Renewal Offer I and the Renewal Offer II respectively. Interest expenses on the lease liabilities will be recognised at the incremental borrowing rate of the Group, which is estimated at approximately 9.45% and 9.34% per annum for the Renewal Offer I and the Renewal Offer II respectively, and is expected to amount to approximately HK$183.5 million in aggregate. After the commencement date of the leases, 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.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 "Leases", the entering into of the Renewal Offer I and Renewal Offer II by the Company as tenant will require the Group to recognise the right-of-use asset arising from the tenancy terms created thereunder. Therefore, the entering into of the Renewal Offer I and Renewal Offer II will each be regarded as an acquisition of assets by the Group under the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the Renewal Offer I and Renewal Offer II amounted to approximately HK$587.4 million and approximately HK$243.8 million, respectively.

As the highest applicable percentage ratio under the Listing Rules in respect of the acquisition of right-of-use asset to be recognised by the Group pursuant to HKFRS 16 based on the consideration under each of the Renewal Offer I and Renewal Offer II is more than 100%, each of the Renewal Offer I and the Renewal Offer II shall constitute a very substantial acquisition for the Company and is subject to the notification, 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 Renewal Offer I and the Renewal Offer II and the transactions contemplated thereunder. As such, no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same.

EGM

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

A notice convening the EGM to be held at Function Room, Units 7-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Friday, 31 May 2024 at 4:00 p.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, at 17th 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 at the meeting or any adjourned meeting if they so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 29 May 2024 to Friday, 31 May 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Tuesday, 28 May 2024.

RECOMMENDATION

The Directors consider that the terms of the Renewal Offer I and the Renewal Offer II 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 favour of the ordinary resolutions to approve the Renewal Offer I and the Renewal Offer II 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
Toshiya GOTO
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2021, 2022 and 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 2021:
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042502014.pdf
(pages 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
(pages 58 to 125)

annual report of the Company for the year ended 31 December 2023:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603807.pdf
(pages 61 to 129)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2024, 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 March 2024, the Group had aggregate outstanding bank guarantees of approximately HK$155.2 million, of which approximately HK$49.5 million was secured by pledged bank deposits and approximately HK$105.7 million was unsecured. None of the above were guaranteed.

Lease liabilities

As at 31 March 2024, the Group had lease liabilities with outstanding carrying amount of approximately HK$3,021.9 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 March 2024, 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 financial resources available to the Group, including the internally generated funds, the Directors are of the opinion that the working capital available to the Group is sufficient for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

References are made to the Company's (i) results announcement for the year ended 31 December 2023 published on 28 March 2024, and (ii) annual report for the year ended 31 December 2023 published on 26 April 2024, regarding the performance of the Group for the year ended 31 December 2023 and the related information included therein. Save for the factors and challenges including increasing "northbound" travel, cautious consumer sentiment, local and Mainland China economy and downsize risks of retail industry as referred to in the publications above, 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 2023, 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 2023, the global economy experienced moderate growth amid inflation and geopolitical tensions, indicating that economies around the world are undergoing adjustment and recovery. However, the Group's business was affected by the overall sluggishness of trade and investment activity, as well as the weak economic recovery in Hong Kong and Mainland China, with the pace of rebound slower than expected. In light of this, the Group actively adjusted its business strategies and implemented a series of reforms to address market changes and challenges.

Hong Kong Operations

In 2023, Hong Kong's GDP growth rebounded to 3.2% from a negative figure in the previous year, and the value of total retail sales also increased by 16.2%, heralding a good start to the economic recovery. However, the macroenvironment remained complex and volatile. The reopening of the border at the beginning of the year did not bring in the expected large number of tourists to Hong Kong and related consumption. This, together with the outbound travel frenzy among Hong Kong citizens, has resulted in subdued local commercial activities. As part of the initiatives to stimulate local consumption, the government of Hong Kong launched the Consumption Voucher Scheme in July 2023, which temporarily boosted the Group's sales performance in the second half of the year. However, Mainland China's low prices, wide product variety, good services and convenient transportation attracted many Hong Kong citizens to travel to Shenzhen to shop and spend. Such an increase in "northbound" travel resulted in a huge deficit in "northbound" and "southbound" visitors during the year, which dealt a heavy blow to the local retail and catering industries. The Group's business performance inevitably suffered and the annual results were not as encouraging as last year's.

In terms of store network, the Group continued to promote its small specialty store business and opened a new Daiso Japan store in Wong Tai Sin, offering products that articulate "high quality, diversity and uniqueness". In June 2023, the Group opened two "KOMEDA'S Coffee" branches in Tuen Mun and Tsim Sha Tsui to provide customers with "the most relaxing and leisurely place" to enjoy the great taste of Nagoya. Such a move has also helped to accelerate the development of AEON Hong Kong's specialty restaurant chain business. In addition, the Group made several new endeavours during the year. Aside from opening a pop-up store in Mong Kok, it introduced new tenants such as "SUKIYA" and "GYU SHIGE", in the hope of attracting more customers with brand new impressions and experiences and improving business performance.

With the Group's efforts to strategically strengthen the promotion of product categories with outstanding performance, sales of travel-related, health-related, and cosmetic products increased significantly. The Group also continued to increase the number of directly imported product categories and the proportion of its private brand merchandise, including TOPVALU, HÓME CÓORDY and PEACE FIT COOL and WARM, in order to reduce procurement costs and improve gross profit margin.

During the year, the Group optimised its supplier selection criteria and saved procurement costs. It also upgraded the AEON App by adding the AEON β membership system and improving the original design and services to create a better user experience, and launched the Net Super online supermarket Hong Kong Island, Kowloon and the New Territories (with the fastest delivery time of 5 hours) to enhance the performance of the online business. In terms of operation and management, with the help of "Mobile Assistant", the Group strengthened back-end operations and support, streamlined daily work processes and improved the work efficiency of employees.

During the year under review, revenue from the Group's Hong Kong operations decreased by 9.7% to HK$4,140.9 million (2022: HK$4,585.3 million). The segment result recorded a loss of HK$149.9 million during the year (2022: loss of HK$124.2 million).

With the slow economic growth and gradual market recovery in 2023, global economic conditions and Hong Kong's business environment are expected to improve. However, persistently high interest rates and asset market price adjustments may continue to affect the local economy. Given the high cost of living, consumer sentiment will remain rational and cautious. The preference of travelers visiting Hong Kong for cultural and experiential travel rather than shopping, and the Hong Kong public's penchant for outbound travel rather than staying and spending in Hong Kong, will also pose a downside risk to the prospects of the local retail industry.

Although the Hong Kong Tourism Board continued its "Night Vibes Hong Kong" programme last year and distributed 200,000 "Hong Kong Night Treats" dining vouchers at the end of last year and in January 2024, this is expected to provide only a short-term boost to retail and catering companies. The Group's operations will still face many challenges in 2024.

In view of this, the Group has formulated various strategies to respond to the situation. In view of the current business performance, in 2024, the Group will continue to: 1) increase the proportion of its own brands such as TOPVALU and HÓME CÓORDY; 2) leverage the advantages of the AEON Japan Group and various channels to introduce more well-known Japanese brands to Hong Kong stores, while expanding the range of products imported directly from Japan and Southeast Asia; 3) strengthen the development of Living PLAZA by AEON, Daiso Japan, Mono Mono and KOMEDA'S Coffee in order to give full play to the Group's synergies and increase the overall profit margin more effectively; and 4) further expand "Net Super" online business to enhance the competitiveness of online businesses.

In terms of internal management, in 2024, the Group will continue to review the workflow and performance of each division to eliminate unnecessary procedures so as to make more effective use of resources and enhance operational efficiency and productivity. In addition, the Group will continue to promote digital transformation, such as expanding the application of Electronic Price Tag, Self-service Checkout, "POS Express" and High-Speed Cash Recycler, with the support of "Mobile Assistant" and the delivery service of AEON App, to simplify the daily and back-end work of the stores, while providing customers with a more convenient and comfortable shopping experience.

In the coming year, the Group is expected to complete the upgrading and renovation of two stores, and open one AEON STYLE store, three KOMEDA'S Coffee branches and several Daiso Japan stores to expand its operating network in Hong Kong.

Mainland China Operations

Although the pandemic that lasted for several years finally subsided, the annual growth rate of the Mainland China economy did not recover as strongly as anticipated in 2023, mainly due to the severe recession in the real estate market, which has affected many industries and caused the overall economy to struggle. As the labour market has deteriorated, Chinese citizens have become more cautious in their consumption. Against the backdrop of weak export and domestic demand, Mainland China's GDP increased by 5.2% and the total retail sales of consumer goods climbed by 7.2% year-on-year in 2023, indicating that the market was in a "weak recovery" phase.

During the year, the Group continued to adjust its operating network and reviewed the sales performance of its stores. A number of stores, such as Guangda Store in Guangzhou and Huizhou Store, achieved satisfactory results after extensive revitalisation and renovation. The Group also opened three stores in the GBA, including AEON Guangzhou Zhongshansi Road Store, AEON Guangzhou Nansha Yuefangcheng Store and AEON Zhuhai Shizimen Store.

Revenue from the Mainland China operations for the year was HK$4,552.0 million (2022: HK$4,986.0 million). During the year, the Mainland China business recorded a loss of HK$61.5 million (2022: loss of HK$117.5 million).

Consumer confidence has been further undermined by the ongoing real estate crisis and high youth unemployment rate in Mainland China. The People's Bank of China has lowered the reserve requirement ratio and reduced the re-lending interest rate for the rural sector and small businesses, which will help consolidate and strengthen the economic recovery and further promote economic development, and the national economy is expected to improve gradually in 2024.

In the coming year, the Group will improve its performance and achieve growth through four major policies: 1) Promote digital transformation. The Group will improve efficiency and revenue by implementing different management systems for different stores. At the same time, the Group will launch various offers and initiatives on its online platforms to improve its online and offline sales. 2) Implement product reform. The Group will optimise the existing supply chain to reduce procurement costs, while increasing the proportion of products from its own brands such as TOPVALU and focusing on promoting products with strong sales performance to improve profitability. 3) Reform store format. The Group will create a new integrated department store format and reform the operating model of community food supermarkets to provide better services and better meet customer needs with a new look, thereby enhancing the Group's competitiveness. 4) Improve internal management. The Group will focus on personnel training and management while reviewing the overall income and expenses from various aspects, and will reform its revenue structure and improve performance through a series of cost reduction and efficiency improvement measures.

The Group plans to open three new AEON stores in the GBA in the coming year and will continue to tap the expansion opportunities in this region.

Financial review

In the year 2023, the Group's revenue decreased by 9.2% year-on-year to HK$8,692.9 million (2022: HK$9,571.3 million). Gross profit margin dropped 0.3% to 29.2% (2022: 29.5%).

As for other income, income derived from sub-leases and other income increased by HK$27.6 million (2022: decreased by HK$34.9 million), contributed by the platform collaboration income in the year. However, government grants received decreased by HK$28.2 million to HK$0.7 million (2022: HK$28.9 million). Other income resulted in an overall decrease by 0.1% as compared with last year.

For operating expenses during the year under review, the Group's staff cost decreased by 7.9% to HK$1,013.1 million (2022: HK$1,100.5 million) and its ratio to revenue increased slightly to 11.7% (2022: 11.5%). Expenses related to leases decreased by 7.2% and the ratio of expenses to revenue increased to 11.9% (2022: 11.6%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses, utility expenses, administrative expenses and other expenses, decreased by 5.3% year-on-year and the ratio of other expenses to revenue was 12.2% (2022: 11.7%).

Included in other gains and losses, amongst others, was exchange gain of HK$6.1 million (2022: exchange loss of HK$25.5 million). In addition, impairment loss in respect of property, plant and equipment of HK$2.2 million (2022: HK$26.7 million) and impairment loss in respect of right-of-use assets of nil (2022: HK$1.9 million) were recognized in the year.

Due to the above changes, loss attributable to owners of the Company for the year was HK$188.7 million (2022: loss of HK$219.9 million), representing a decrease of HK$31.2 million.

The Group's adjusted EBITDA[1] for the year was loss of HK$157.8 million (2022: loss of HK$60.8 million), increased by HK$97.0 million mainly due to the decrease in revenue.

The Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant and does not recommend a final dividend (2022: HK$0.02 per share) for the year ended 31 December 2023. Together with the interim dividend of HK$0.02 (2022: HK$0.03) per share paid in the year 2023, total dividends for the year 2023 were HK$0.02 (2022: HK$0.05) per share.

During the year, capital expenditure for opening new stores and store renovation in Hong Kong and Mainland China and the upgrade of information technology systems amounted to HK$110.1 million.

The Group also entered into new lease agreements and lease modifications in the year and recognized additional right-of-use assets of HK$574.6 million (2022: HK$173.5 million).

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$1,149.6 million as at 31 December 2023 (2022: HK$1,423.4 million). The Group had no bank borrowing and therefore did not disclose any gearing ratio (which is defined by dividing bank borrowings to equity) and had sufficient internal resources to finance future business expansions. The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

Exchange rate fluctuation had no material impact on the Group's retail business during the year ended 31 December 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 year ended 31 December 2023.

As at year end date, deposits of HK$97.2 million (2022: HK$23.7 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$6.7 million (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 31 December 2023 amounted to HK$3,208.8 million (2022: HK$3,481.3 million), of which HK$676.0 million (2022: HK$827.0 million) is payable within one year. The Group's lease liabilities to equity ratio as at 31 December 2023 (defined as the total lease liabilities divided by total (deficit)/equity) was -3,398% (2022: 3,417%).

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$683.7 million (2022: net current liabilities of HK$615.8 million). The directors consider that the Group has sufficient financial sources available to fund its operations in the foreseeable future and will be able to meet its financial obligations when they fall due.

As at 31 December 2023, the Group had no assets charged for bank guarantee or other purpose except pledged bank deposit of HK$103.9 million and did not have any significant contingent liabilities. As at 31 December 2023, the Group did not have any significant investments accounting for more than 5% of the Group's total assets.

During the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies. There was no specific plan for material investments or capital assets as at 31 December 2023.

The Group planned to invest approximately HK$160 million in the year of 2024 for new store openings and store renovations, which will be financed by internal resources.

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

Reconciliation of Adjusted EBITDA	**FY2023**	**FY2022**
	HK$'000	*HK$'000*
Loss for the year	(187,802)	(224,716)
Adjusting items for EBITDA		
Income tax expense	2,522	5,198
Depreciation of investment properties	65,878	68,861
Depreciation of property, plant and equipment	147,012	179,290
Depreciation of right-of-use assets	702,484	733,304
Interest on lease liabilities	188,676	236,545
Investment income	(26,137)	(22,215)
Interest income from rental deposits	(11,215)	(10,802)
Other gain and losses	(14,505)	39,186
Items for Adjusted EBITDA		
Repayments of lease liabilities*	(836,048)	(828,937)
Interest on lease liabilities*	(188,676)	(236,545)
Adjusted EBITDA	(157,811)	(60,831)

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

Human resources

As at 31 December 2023, the Group had approximately 5,400 full-time and 3,800 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. The Group recognises that employees are the cornerstone of the Company's long-term development and success. Therefore, the Group will strengthen in-store training, provide learning and promotion opportunities, and further enhance its vitality and competitiveness. The Group's remuneration policy aims to maintain an appropriate balance between business performance and long-term sustainable growth of the Group. 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 2021, 2022 and 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 2021, 2022 and 2023.

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 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 was 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, fluctuating 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 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 of HK$60.8 million (2021: loss of HK$65.9 million), representing a decrease of 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 year end 31 December 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 properties, to be leased by the Group, as at 30 April 2024.

CUSHMAN & WAKEFIELD
戴德梁行

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

16 May 2024

The Directors
AEON Stores (Hong Kong) Co., Limited
Units 7-11, 26/F, CDW Building
388 Castle Peak Road
Tsuen Wan
New Territories

Dear Sirs,

Re: Valuation of Certain Properties in Hong Kong to be leased by AEON Stores (Hong Kong) Co., Limited as tenant

INSTRUCTIONS, PURPOSE & VALUATION DATE

We refer to the instruction from AEON Stores (Hong Kong) Co., Limited (the "**Company**") for us to provide our opinion of the market rents of certain properties to be leased by the Company or its subsidiary (collectively the "**Group**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our valuations as at 30 April 2024 (the "**Valuation Date**") for regulatory circular purpose.

BASIS OF VALUATION

Our valuation of the market rent of the properties represents its market rent which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors 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".

We confirm that our valuation complies with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

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

Our valuations have been made on the assumption that the lessors lease or let the properties on the 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 rents of the properties.

Unless otherwise stated, our valuations of the properties are each on an entirety interest basis.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a lease. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their market rents.

METHOD OF VALUATION

In valuing the market rents of the properties, 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 evidence 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 properties and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the properties.

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 identification of the properties, particulars of occupancy, floor plans, 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 and measurements are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. 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 valuations. We have not carried out on-site measurements to verify the correctness of the area of the properties.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. In the course of our valuation, we have assumed that the owners of the properties have an enforceable title to the properties and have free and uninterrupted rights to use, occupy, assign or lease the properties for the whole or part of the unexpired term as granted.

SITE INSPECTION

Our valuer, Ms. Nicola Leung, a Member of the Hong Kong Institute of Surveyors, inspected the exterior of the properties on 29 April 2024. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuations are in Hong Kong Dollars ("**HK$**"), the official currency of Hong Kong.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K.B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr. K.B. Wong is a Member of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory in Hong Kong. Mr. Wong has sufficient current notional knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

	Property	Market rent in existing state as at 30 April 2024 (HK$ per month, exclusive of government rent, rates, management fees and utility charges)
1.	All those portions of the Ground Floor, First Floor, Second Floor, Third Floor, Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Quarry Bay, Hong Kong	14,200,000
2.	All those areas on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories	4,430,000

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 April 2024
1.	All those portions of the Ground Floor, First Floor, Second Floor, Third Floor, Fourth Floor including the AHU Room, the Lift Motor Room on the Fifth Floor, the Fan Room and the Condenser Room on the Sixth Floor and Fan Rooms on the Seventh Floor, Kornhill Plaza, 2 Kornhill Road, Quarry Bay, Hong Kong Situated in the Remaining Portion of Inland Lot No. 8566	Kornhill Plaza (South) comprises a 25-storey commercial and hotel building completed in 1987. The property comprises parts of the retail portion of Kornhill Plaza (South). According to the information provided by the instructing party, the lettable floor area of the property is 260,911 sq.ft. (24,239.45 sq.m.). The development is held from the Government under Conditions of Exchange No. UB11728 for a term of 75 years and renewable for a further term of 75 years from 27 April 1984. The current Government rent payable for the lot is HK$1,000 per annum. The property is subject to an existing tenancy of 6 years due to expire on 31 March 2024 and extended two months to 31 May 2024. The landlord and the tenant (the Company) have entered into a lease agreement on 9 May 2024 to renew the tenancy for four years from 1 June 2024 to 31 May 2028.	As at the Valuation Date, the property was leased by the Company as AEON Store.	HK$14,200,000 (HONG KONG DOLLARS FOURTEEN MILLION AND TWO HUNDRED THOUSAND) per month, exclusive of government rent, rates and management fees *(see Note (3) below)*

Notes:

(1) The registered owner of the property is Hang Fine Company Limited. No encumbrance is registered against the property.

(2) The property falls within a land use zone for ''Commercial (8)'' purpose under the Approved Quarry Bay Outline Zoning Plan No. S/H21/28 dated 6 July 2010.

(3) The rental valuation is conducted on the assumption that the property is available to let for a term of four years from the Valuation Date on normal commercial terms without varying rent, turnover rent or rental incentive.

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

Lettable Area:	260,911 sq.ft. (24,239.45 sq.m.)
Lease Term:	From 1 June 2024 to 31 May 2028
Monthly Rent*:	HK$13,955,200 from 1 June 2024 to 31 May 2025 HK$14,234,300 from 1 June 2025 to 31 May 2027 HK$14,519,000 from 1 June 2027 to 31 May 2028

* *exclusive of government rates, management fees and other outgoings*

(5) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) comparable properties are located in Hong Kong Island; (ii) comparable properties are of larger size (no less than 30,000 sq.ft.); and (iii) the nature of the comparables properties is similar to the subject 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 two relevant rental comparables; the unit rents of these comparable properties range between HK$50.0 and HK$52.4 per sq.ft. per month.

Details of the selected rental comparables are listed below:

Rental Comparable		**Approximate Leased Area** *(sq.ft.)*	**Unit Rent** *(HK$/sq.ft./ month)*
1.	A retail shop of a multi-storey shopping mall in Hong Kong Island	100,000	52.4
2.	A retail shop of a multi-storey shopping mall in Hong Kong Island	30,000	50.0

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, time and other physical characteristics between the subject property and the comparable properties. The general basis of adjustment is that if the subject property is better than the comparable properties, an upward adjustment is made. Alternatively, if the subject 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	+5%
Size	-10% to -7%
Floor Level	+5% to +10%
Time	+1% to +4%

In terms of location, Comparables 1 and 2 are inferior to the subject property, upward adjustments hence applied.

Downward adjustments applied to Comparables 1 and 2 as they are smaller in size compared to the subject property.

Upward floor adjustments applied to Comparables 1 and 2 due to their respective proximities to Ground Floor compared to the subject property.

In terms of time factor, the market sentiment of the transaction time of Comparables 1 and 2 is less desirable, hence upward adjustments applied.

We have assigned equal weighting to the two comparables after due adjustments. As a result, we have adopted a unit market rent of HK$54.5 per sq.ft. per month for a total lettable area of 260,911 sq.ft., equivalent to a sum of approximately HK$14,200,000 per month excluding government rent, rates and management fees.

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 subject property to be fair and reasonable.

(6) 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 a four-year tenancy would be in the range of HK$620,000,000 (HONG KONG DOLLARS SIX HUNDRED AND TWENTY MILLION). We have adopted a capitalisation rate of 4.75%, which is estimated by reference to the yields generally expected by the market for comparable properties of similar use type. The adopted capitalisation rate implicitly reflects the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and is, in our opinion, reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 April 2024
2.	All those areas on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories Situated in Tsuen Wan Town Lot No. 324	Skyline Plaza comprises a 35-storey residential block erected upon a 4-storey plus a basement commercial podium. The development was completed in 1995. The property comprises part of the retail portion of Skyline Plaza. According to the information provided by the instructing party, the lettable floor area of the property is 165,749 sq.ft. (15,398.46 sq.m.). The development is held from the Government under New Grant No. 6728 from 11 August 1989 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum. The property is subject to an existing tenancy of 12 years due to expire on 31 May 2024. The landlord and the tenant (the Company) have entered into a lease agreement on 9 May 2024 to renew the tenancy for six years from 1 June 2024 to 31 May 2030.	As at the Valuation Date, the property was leased by the Company as AEON Store.	HK$4,430,000 (HONG KONG DOLLARS FOUR MILLION FOUR HUNDRED AND THIRTY THOUSAND) per month, exclusive of government rent, rates and management fees *(see Note (3) below)*

Notes:

(1) The registered owner of the property is Keep Goal Limited. No encumbrance is registered against the property.

(2) The property falls within a land use zone for "Residential (Group A)" purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/37 dated 6 February 2024.

(3) The rental valuation is conducted on the assumption that the property is available to let for a term of six years from the Valuation Date on normal commercial terms without varying rent, turnover rent or rental incentive.

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

Lettable Area:	165,749 sq.ft. (15,398.46 sq.m.)
Lease Term:	From 1 June 2024 to 31 May 2030
Monthly Rent*:	HK$4,330,000 from 1 June 2024 to 31 May 2027 HK$4,830,000 from 1 June 2027 to 31 May 2030

* *exclusive of government rates, management fees and other outgoings*

(5) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) comparable properties are located in New Territories West; (ii) comparable properties are of larger size (no less than 40,000 sq.ft.); and (iii) the nature of the comparables properties is similar to the subject 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 between HK$20.6 and HK$34.7 per sq.ft. per month.

Details of the selected rental comparables are listed below:

Rental Comparable		Approximate Leased Area	Unit Rent
		(sq.ft.)	*(HK$/sq.ft./ month)*
1.	A retail shop of a multi-storey shopping mall in the New Territories West	130,000	34.7
2.	A retail shop of a multi-storey shopping mall in the New Territories West	100,000	24.0
3.	A retail shop of a multi-storey shopping mall in the New Territories West	40,000	20.6

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, time and other physical characteristics between the subject property and the comparable properties. The general basis of adjustment is that if the subject property is better than the comparable properties, an upward adjustment is made. Alternatively, if the subject 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	-2% to 0%
Size	-6% to -1%
Floor Level	0% to +10%
Time	-8% to +1%

In terms of location, Comparable 3 is better than the subject property, a downward adjustment hence applied. Comparables 1 and 2 are of similar location as the subject property, hence no location adjustment applied.

Downward adjustments applied to Comparables 1 to 3 as they are smaller in size compared to the subject property.

Upward floor adjustments applied to Comparables 2 and 3 due to their respective proximities to Ground Floor compared to the subject property.

In terms of time factor, the market sentiment of the transaction time of Comparables 1 and 2 is less desirable, hence upward adjustments applied whilst downward adjustment applied to Comparable 3 for the better market sentiment at the time of its transaction.

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a unit market rent of HK$26.7 per sq.ft. per month for a total lettable area of 165,749 sq.ft., equivalent to a sum of approximately HK$4,430,000 per month excluding government rent, rates and management fees.

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 subject property to be fair and reasonable.

(6) 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 a six-year tenancy would be in the range of HK$275,000,000 (HONG KONG DOLLARS TWO HUNDRED AND SEVENTY FIVE MILLION). We have adopted a capitalisation rate of 5%, which is estimated by reference to the yields generally expected by the market for comparable properties of similar use type. The adopted capitalisation rate implicitly reflects the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and is, in our opinion, 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 for Securities Transactions by Directors of Listed Issuers 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 ordinary shares held as personal interests *(Note)*	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 is 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) 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 shareholder	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 286,088,000 shares representing 68.32% 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 or proposed 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. 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 or proposed 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 2023, being the date to which the latest published audited financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. MATERIAL CONTRACTS

None of the directors or members of the Group enters 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.

8. 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.

9. 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. 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 17th 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.

11. DOCUMENTS ON DISPLAY

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

(a) the Renewal Offer I;

(b) the Renewal Offer II;

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

(d) 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 AEON Stores (Hong Kong) Co., Limited (the "**Company**") will be held at Function Room, Units 7-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Friday, 31 May 2024 at 4:00 p.m. (the "**EGM**") to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions.

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 May 2024.

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Renewal Offer I, 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 Renewal Offer I 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 Renewal Offer I 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."

2. "**THAT**:

(a) the Renewal Offer II, a copy of which has been produced to the meeting marked "B" 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 Renewal Offer II 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 Renewal Offer II 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 May 2024

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

Notes:

1. Any member 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 not be a member of the Company.

2. 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 17th 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.

3. The register of members of the Company will be closed from Wednesday, 29 May 2024 to Friday, 31 May 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Tuesday, 28 May 2024.

4. 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.

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

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

7. If Typhoon Signal No. 8 or above is hoisted or remains hoisted at 12:00 p.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 31 May 2024 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.