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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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**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) CONTINUING CONNECTED TRANSACTIONS  
ENTERING INTO OF THE CARD ACQUIRING MERCHANT  
AGREEMENT AND THE ROYALTY AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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A letter from the Board is set out on pages 9 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 38 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 Wednesday, 31 July 2024 at 9:00 a.m. is set out on pages 44 to 46 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 July 2024

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	9
<b>INTRODUCTION</b> .....	9
<b>THE CARD ACQUIRING MERCHANT AGREEMENT</b> .....	10
<b>THE ROYALTY AGREEMENT</b> .....	14
<b>REASONS FOR AND BENEFITS OF ENTERING INTO EACH OF         THE CCT AGREEMENTS</b> .....	17
<b>INTERNAL CONTROL</b> .....	19
<b>INFORMATION ABOUT THE PARTIES</b> .....	19
<b>IMPLICATIONS UNDER THE LISTING RULES</b> .....	19
<b>FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND         APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER</b> .....	20
<b>EGM</b> .....	20
<b>CLOSURE OF REGISTER OF MEMBERS</b> .....	21
<b>RECOMMENDATION</b> .....	22
<b>FURTHER INFORMATION</b> .....	22
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	25
<b>APPENDIX – GENERAL INFORMATION</b> .....	39
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	44

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## DEFINITIONS

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

“AEON Co”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“AEON Credit”	AEON Credit Service (Asia) 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: 900)
“Affiliates”	with respect to a party, means all companies, firms, corporations or other entities which are either directly or indirectly controlling, controlled by or under common control with that party, provided that to the affiliates of the Company and its Affiliates shall not include AEON Co and companies owned or controlled by AEON Co other than the Company and companies directly or indirectly controlled by the Company, and, the affiliates of AEON Co and its Affiliates shall not include the Company and companies owned or directly or indirectly controlled by the Company
“Announcements”	the announcement of the Company dated 30 June 2021 in respect of, among other things, the entering into of the Previous Card Acquiring Merchant Agreement and the announcement of the Company dated 30 September 2021 in relation to the Previous Royalty Agreement
“Board”	the board of Directors
“Business”	the (i) ownership or (ii) ownership and operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores
“Card”	a credit or debit card bearing the mark(s) and/or hologram(s) in the form from time to time specified by the respective Card Associations and issued by a member of the Card Associations other than AEON Credit

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## DEFINITIONS

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“Card Acquiring Merchant Agreement”	the card acquiring merchant agreement dated 11 July 2024 entered into by the Company and AEON Credit in relation to card acquiring services provided by AEON Credit
“Card Association”	Mastercard, Visa, CUP, JCB and any other card associations as the parties may mutually agree to be included in the Card Acquiring Merchant Agreement from time to time
“Cardholder”	an individual person carrying, tapping, using or showing a Card
“Cardholder Present Sale”	a Transaction where a Card is physically presented to the Company by the Cardholder as the means of payment at the time of a sale and where the Company can evidence the presence of the Card presented by chip read, Card swipe through an EDC Terminal, contactless tap or by imprint of the Card using a Manual Sales Draft
“CCT Agreements”	the Card Acquiring Merchant Agreement and the Royalty Agreement
“Chargeback”	a demand by a Card issuing financial institution or a Card Association to be repaid a sum of money paid by AEON Credit in respect of a Transaction which has been previously settled between the Company and AEON Credit and for which AEON Credit may or may not have been paid by that Card Association
“Commission Payment Master Agreement”	the master agreement dated 1 February 2023 entered into between the Company and AEON Credit in respect of commissions payable by the Company to AEON Credit in respect of purchases made by customers of the Company using credit purchase facilities provided by AEON Credit including, among other things, various credit cards issued by AEON Credit (please refer to the announcement of the Company dated 1 February 2023 for details)
“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)

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## DEFINITIONS

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“Condition Precedents”	in respect of each of the CCT Agreement, approval of such CCT Agreement by the Company’s Independent Shareholders and compliance with all applicable requirements under the Listing Rules by the relevant parties to such CCT Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CUP”	China UnionPay Co., Limited
“Direct Sales Area”	(i) the floorspace where consumer merchandise is displayed; (ii) the floorspace occupied or utilised by facilities ancillary to and relating to the above and to which customers have access including corridors, cashier counters, customer service counters, sitting areas, washrooms and baby care rooms; and (iii) the floorspace licensed by the Company to third parties trading under their own names and/or their own account
“Director(s)”	the director(s) of the Company
“EDC Terminal”	an electronic data capture device either owned, provided by and at the cost of AEON Credit for the Company’s use under the Card Acquiring Merchant Agreement or otherwise approved by AEON Credit to be used for capturing Card details for obtaining authorisations and submitting Transactions to AEON Credit. Such device enables the Company to insert, swipe, tap, or manually enter the required Card information, and to transmit such data to and receive such data from AEON Credit for authorisation and further processing

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of Shareholders to be held to consider the resolutions set out in the EGM Notice and any adjournment of such EGM, which is scheduled to be held at Function Room, Units 7-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Wednesday, 31 July 2024 at 9:00 a.m.
“EGM Notice”	the notice included in this circular in respect of the EGM to consider and, if though fit, approve each of the CCT Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Trade Marks”	the trademarks that are owned and/or registered by AEON Co in Hong Kong and licensed to the Company pursuant to the Royalty Agreement from time to time
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licenced to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the CCT Agreements
“Independent Shareholders”	Shareholders other than those who have a material interest in the CCT Agreements
“JCB”	JCB International Co., Limited

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## DEFINITIONS

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“Know-How”	all information and know-how (including that comprised in formulae, techniques, designs, specifications, drawings, manuals, instructions and catalogues) used, employed or developed by AEON Co from time to time for the management and operation of retail stores, wholesale business and related supporting facilities (as the same may from time to time be modified, improved, updated or amended)
“Latest Practicable Date”	11 July 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
“Lowest Fee Rate”	the weighted average commission rate which is calculated based on the card acquisition amount processed/to be processed by the service provider for 2023 and 2024 multiplied by the respective Merchant Discount Rates chargeable depending on the card type and business type (if applicable)
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Trade Marks”	the trademarks that are owned and/or registered by AEON Co in Macau and licensed to the Company pursuant to the Royalty Agreement from time to time
“Manual Sales Draft”	a paper in a form provided by and at the cost of AEON Credit for use by the Company in place of Sales Draft if the Company experiences an EDC Terminal failure, telephone/internet connection fault or disruption to power supply and cannot use Sales Draft as a consequence
“Mastercard”	Mastercard Incorporated
“Merchant Discount Amount”	applicable Merchant Discount Rate multiplied by the Transaction amount payable to the Company for the relevant Transaction

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## DEFINITIONS

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“Merchant Discount Rates”	Discount rates ranging from 0.98% to 1.90%
“Multiple Category Store(s)”	a retail store that: <ul style="list-style-type: none"><li>(i) has within itself at least two of the following three categories, with a wide selection of consumer merchandise within each category or department:<ul style="list-style-type: none"><li>(a) clothing, shoes, and accessories;</li><li>(b) household goods and day to day items excluding subparagraphs (a) and (c) of this definition but including toiletries, cosmetics, electrical and electronic appliances and goods, tools and hardware, and houseware; and</li><li>(c) food items; and</li></ul></li><li>(ii) occupies Direct Sales Area (including areas licensed by the Company to separate stores that trade under their own name and on their own account) of more than 5,000 square meters</li></ul>
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“PRC Trade Marks”	the trademarks that are owned and/or registered by AEON Co in the PRC and licensed to the Company pursuant to the Royalty Agreement from time to time
“Previous Card Acquiring Merchant Agreement”	the card acquiring merchant agreement dated 30 June 2021 entered into by the Company and AEON Credit
“Previous Royalty Agreement”	the technical assistance agreement dated 30 September 2021 entered into by the Company and AEON Co
“RMB”	renminbi, the lawful currency of the PRC
“Royalty Agreement”	the technical assistance agreement dated 11 July 2024 conditionally entered into between the Company and AEON Co



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## DEFINITIONS

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“Sales Draft”	a paper in a form provided by and at the cost of AEON Credit for use by the Company, whether or not produced by an EDC Terminal, for evidencing a receipt, purchase or hire of merchandise and/or services by a Cardholder from the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) in the Company
“Shareholder(s)”	holders of the Shares from time to time
“Special Supermarket Store(s)”	a store that sells food items as the store’s major merchandise and occupies Direct Sales Area of more than 500 square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Hong Kong and Macau
“Total of Revenue”	<p>the aggregate of:</p> <ul style="list-style-type: none"><li>(i) the total amount of the direct sales of the Company and its Affiliates;</li><li>(ii) the total amount of the sales of the respective concessionaires of the Company and its Affiliates; and</li><li>(iii) the total amount of licensee fees and rentals received by the Company and its Affiliates from licensees and sub-tenants of the Company and its Affiliates,</li></ul> <p>all attributable to the exclusive and non-exclusive rights granted by AEON Co to the Company to use the Trade Marks under the Royalty Agreement.</p> <p>For the avoidance of doubt, discounts, refunds/return of goods and sales or purchases taxes or levies shall not form part of any of the items (i) to (iii) above for the purpose of this definition</p>

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## DEFINITIONS

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“Trade Marks”	the Hong Kong Trade Marks, Macau Trade Marks and PRC Trade Marks
“Transaction”	the act of a Cardholder making purchase of such merchandise or services from the Company or its authorised agent which is initiated and concluded through the Cardholder Present Sale whereby payment thereof shall be charged to the Cardholder’s Card account
“Visa”	Visa Incorporated
“%”	per cent

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LETTER FROM THE BOARD

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**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. Hiroyuki INOHARA

Mr. Kenji FUJITA

Mr. Yasutoshi YOKOCHI

*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 July 2024

*To the Shareholders*

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
ENTERING INTO OF THE CARD ACQUIRING MERCHANT  
AGREEMENT AND THE ROYALTY AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 11 July 2024 in relation to, among other things, the CCT Agreements that the Company has conditionally entered into, namely:

- the Card Acquiring Merchant Agreement with AEON Credit in respect of card acquiring services to be provided by AEON Credit to the Company; and

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## LETTER FROM THE BOARD

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- the Royalty Agreement with AEON Co in respect of, among other things, the Group's use of the Trade Marks.

The purpose of this circular is to provide you with (i) further information on the details of the CCT Agreements and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the EGM Notice; and (v) other information as required under the Listing Rules.

### **THE CARD ACQUIRING MERCHANT AGREEMENT**

Reference is made to the announcement of the Company dated 30 June 2021 in respect of, among other things, the entering into of the Previous Card Acquiring Merchant Agreement. As at the Latest Practicable Date, the Company had been engaging AEON Credit to provide card acquiring services whereby customers of the Company may conveniently select their favourite payment solutions (i.e. debit or credit cards, or devices storing the same electronically, issued by entities other than AEON Credit) for making purchases of goods and/or services at the Company's stores in Hong Kong.

Reference is also made to the announcement of the Company dated 1 February 2023 in relation to the transactions under the Commission Payment Master Agreement. As at the Latest Practicable Date, pursuant to the Commission Payment Master Agreement, AEON Credit had been providing the Company with services relating to credit purchase facilities, card instalment plan, other payment solutions and other related services made available by AEON Credit to customers of the Company for making purchases of goods and/or services at the Company's stores mainly using co-branded credit cards issued by AEON Credit.

The Previous Card Acquiring Merchant Agreement was for a term of three years commencing on 16 August 2021 and expires on 15 August 2024. To ensure no interruption to the card acquiring services, the Company invited three service providers, including AEON Credit and two other service providers which are parties independent of the Company and its connected persons, to submit tender for the said card acquiring services and AEON Credit offered the Lowest Fee Rate. As such, the Company intends to renew the said card acquiring services to be provided by AEON Credit solely and on a non-exclusive basis. On 11 July 2024, the Company and AEON Credit have conditionally entered into the Card Acquiring Merchant Agreement so as to enable AEON Credit to provide the said card acquiring services. The entering into of the Card Acquiring Merchant Agreement shall be without prejudice to the validity of, the continuing connected transactions governed by, the Commission Payment Master Agreement. Whilst the Commission Payment Master Agreement covers card services provided by AEON Credit in respect of cards issued by AEON Credit, the Card Acquiring Merchant Agreement covers card services provided by AEON Credit in respect of cards issued by entities other than AEON Credit.

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## LETTER FROM THE BOARD

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### Principal terms

The principal terms of the Card Acquiring Merchant Agreement are as follows:

Date: 11 July 2024

Parties: (a) the Company; and  
(b) AEON Credit

Term: Subject to the fulfilment of the Condition Precedents, the term of the Card Acquiring Merchant Agreement shall commence on 16 August 2024, for a period of three years, unless terminated earlier in accordance with the terms of the Card Acquiring Merchant Agreement. If the Condition Precedents have not been fulfilled as certified by the respective party, the Card Acquiring Merchant Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach.

Honouring Cards: The Company shall accept and honour all Cards presented by a Cardholder for payment of the Company's merchandise or services.

Acquiring Service: In respect of each completed Transaction using a Card issued by entities other than AEON Credit, AEON Credit shall be responsible for collecting payment of each Transaction from the Card issuing financial institution / entity in accordance with the regulations of the Card Associations. AEON Credit shall then pay the amount of each Transaction (less the applicable Merchant Discount Amount) to the Company within two business days upon completion of such Transaction (conditional on receipt of such Sales Draft and/or Manual Sales Draft, as the case may be) to a designated bank account of the Company or by cheque or in such manner mutually agreed between the Company and AEON Credit.

Fees: In consideration of the services provided by AEON Credit, the Company shall pay a fee equal to the Merchant Discount Amount to AEON Credit, which shall be made by way of deduction from the payment by AEON Credit of the corresponding amount of each Transaction to the Company.

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## LETTER FROM THE BOARD

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Disputes and Chargeback: If AEON Credit is aware of any Chargeback, it shall forthwith inform the Company and advise the Company of any possible mechanism that the Company may pursue to defend against such Chargeback subject to provision of reasonable supporting documents and/or information by the Company.

If any dispute arises or exists between the Company and a Cardholder or any other person in relation to any merchandise or services, or any representation or obligation made in connection with a Transaction, the Company shall at all times indemnify AEON Credit against all claims, and hold AEON Credit harmless from all costs, losses and liability resulting from such disputes and suffered by AEON Credit, provided that there is no material fault or delay on the part of AEON Credit contributing to the loss or claim.

Termination: The Card Acquiring Merchant Agreement may be terminated with immediate effect by either party if the other party is involved in certain activities such as (i) material breach of the Card Acquiring Merchant Agreement; (ii) liquidation, receivership; (iii) fraudulent activity or, dishonesty or money laundering or other illegal activities; and (iv) discontinuation in all its operations. The Card Acquiring Merchant Agreement may also be terminated by either party by 90 days' prior written notice to the other party.

AEON Credit may also terminate the Card Acquiring Merchant Agreement immediately by written notice to the Company if the Company's account remains dormant with AEON Credit for more than three consecutive months.

### **The transaction amount and annual cap**

Save for the Merchant Discount Amount and, if any, charges payable arising from disputes and Chargeback as described above, no other commission, fees and/or charges are payable by the Company in respect of the card acquiring services to be provided by AEON Credit under the Card Acquiring Merchant Agreement.

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## LETTER FROM THE BOARD

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The Directors estimate that the maximum amount payable by the Company to AEON Credit relating to the Card Acquiring Merchant Agreement on an annual basis will not exceed the annual caps below:

<b>Financial Year/Period</b>	<b>Annual cap</b> <i>(HK\$ million)</i>
16 August 2024 to 31 December 2024	6.3
1 January 2025 to 31 December 2025	17.8
1 January 2026 to 31 December 2026	17.2
1 January 2027 to 15 August 2027	10.7

In arriving at the above annual caps, the Directors have taken into account (i) the historical transaction amounts paid by the Company under the Previous Card Acquiring Merchant Agreement set out below; (ii) the Company's expected gradual business growth generally and expansion of store network based on its business plan and management's estimation; (iii) the expected increase in proportion of consumption through credit card payments in the absence of consumption vouchers; and (iv) a buffer to allow flexibility for the potential increase in card acquisition transaction amount resulting from, among other things, sales or card promotions, which in turn might generate card charges payable to AEON Credit.

Historical transaction amount paid by the Company under the Previous Card Acquiring Merchant Agreement is as follows:

<b>Financial Year/Period</b>	<b>Actual transaction amount</b> <i>(HK\$ million)</i>	<b>Annual Cap under Previous Card Acquiring Merchant Agreement</b> <i>(HK\$ million)</i>
16 August 2021 – 31 December 2021	2.04	10.6
1 January 2022 – 31 December 2022	15.7	21.8
1 January 2023 – 31 December 2023	14.7	23.2
1 January 2024 – 31 May 2024	5.8	12.2*

\* *annual cap amount is for the period of 1 January 2024 to 15 August 2024*

The Company does not expect that the annual cap under the Previous Card Acquiring Merchant Agreement for the period from 1 January 2024 to 15 August 2024 will be exceeded.

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## LETTER FROM THE BOARD

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### THE ROYALTY AGREEMENT

Reference is made to the announcement of the Company dated 30 September 2021 in relation to the Previous Royalty Agreement. The Previous Royalty Agreement will expire on 31 December 2024.

The Board is pleased to announce that on 11 July 2024, the Company has conditionally entered into the Royalty Agreement with AEON Co to renew the Previous Royalty Agreement.

#### Principal terms

The principal terms of the Royalty Agreement are as follows:

Date: 11 July 2024

Parties: (a) the Company; and  
(b) AEON Co, as adviser

Term: Subject to the fulfilment of the Condition Precedents, the term of the Royalty Agreement shall be a period of three years commencing on 1 January 2025 and expiring on 31 December 2027 unless terminated earlier in accordance with the terms of the Royalty Agreement. If the Condition Precedents have not been fulfilled as certified by the respective party, the Royalty Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach.

Trademarks: Pursuant to the Royalty Agreement, the Company and/or its Affiliates (through the Company) shall be granted by AEON Co:

- (a) an exclusive right to use the Hong Kong Trade Marks and the Macau Trade Marks in relation to the Business within the Territory;
- (b) a non-exclusive right to use the PRC Trade Marks in relation to the Business within the PRC; and
- (c) a non-exclusive right to use the Trade Marks in relation to the following businesses in the Territory and the PRC:
  - (i) the provision of retail services;
  - (ii) the operation of shopping centres; and



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## LETTER FROM THE BOARD

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(iii) catering services, food-court with seating and restaurants.

Technical assistance: AEON Co shall disclose full particulars of the Know-How to the Company as the Know-How is being developed or updated from time to time and grant the Company during the term of the Royalty Agreement the non-exclusive right to use the Know-How in relation to the Business in the Territory and the PRC.

Fees and payment: In each financial year during the term of the Royalty Agreement, the Company shall pay to AEON Co a fee equal to the aggregate of (a) an amount representing 0.2% of the audited consolidated Total of Revenue of the Company and its Affiliates for such financial year; and (b) an amount representing 0.05% of the audited Total of Revenue of the Company and its Affiliates in respect of the Business in the Territory for such financial year.

The fee shall be paid within 30 days after the Company's annual general meeting (or its adjourned meeting(s)) for approving the Company's consolidated financial results of each financial year.

Non-competition: AEON Co undertakes that, except with the prior written consent of the Company, neither AEON Co nor any of its Affiliates will, either solely or jointly with any person, be engaged in or participate in the ownership or operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores within the Territory during the term of the Royalty Agreement.

Termination: The Royalty Agreement may be terminated with immediate effect by either party if the other party commits any continuing or material breach and (in case the breach is capable of remedy) fails to remedy the same within 60 days after receipt from the non-defaulting party's written request to remedy, or if the other party is in liquidation, receivership or ceases to carry on business, etc. On termination, the Company shall remove all signs and other things on which any of the Trade Marks are used and shall thereafter cease use of:

- (a) any of the Trade Marks including any trading name which consist of or includes any of the Trade Marks; and
- (b) the Know-How,

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## LETTER FROM THE BOARD

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and shall procure its Affiliates to do the same. Any continued use of the Trade Marks and/or the Know-How by the Company and its Affiliates after termination or expiry of the Royalty Agreement shall be subject to separate negotiations and written agreement between the parties.

### The transaction amount and annual cap

The Directors estimate that the maximum amount payable by the Company to AEON Co under the Royalty Agreement on an annual basis will not exceed the annual caps below:

<b>Financial Year</b>	<b>Annual cap</b> <i>(HK\$ million)</i>
1 January 2025 to 31 December 2025	29.5
1 January 2026 to 31 December 2026	29.9
1 January 2027 to 31 December 2027	30.9

In arriving at the above annual caps, the Directors have taken into account (i) historical transaction amounts under the Previous Royalty Agreement set out below; (ii) the historical development in retail sales of the Group's department stores and the supermarket chain stores; (iii) the expected business growth of the Group in Hong Kong and the PRC based on its business plan and management's estimation; and (iv) a buffer to allow flexibility for the further increase in sales of the Group resulting from, among other things, additional number of stores and/or exchange rate fluctuations.

Historical transaction amount paid by the Company in respect of the transactions under the Previous Royalty Agreement and its former agreement is as follows:

<b>Financial Year/Period</b>	<b>Actual transaction amount</b> <i>(HK\$ million)</i>	<b>Annual Cap under Previous Royalty Agreement</b> <i>(HK\$ million)</i>
1 January 2021 – 31 December 2021	26.1	40.0
1 January 2022 – 31 December 2022	26.5	32.1
1 January 2023 – 31 December 2023	23.4	34.7
1 January 2024 – 31 May 2024	9.5 <i>(Note 1)</i>	37.2 <i>(Note 2)</i>

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## LETTER FROM THE BOARD

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*Notes:*

1. This represents the estimated transaction amount incurred by the Company for the period from 1 January 2024 to 31 May 2024 under the Previous Royalty Agreement. Pursuant to the Previous Royalty Agreement, royalty fee is calculated with reference to the audited consolidated Total of Revenue of the Group and is payable by the Company within 30 days after the Company's annual general meeting for approving its consolidated financial results of each year. As at the Latest Practicable Date, no royalty fee had been paid by the Company in respect of the financial year 2024.
2. Annual cap amount is for the period of 1 January 2024 to 31 December 2024.

The Company does not expect that the annual cap under the Previous Royalty Agreement for the period from 1 January 2024 to 31 December 2024 will be exceeded.

### **REASONS FOR AND BENEFITS OF ENTERING INTO EACH OF THE CCT AGREEMENTS**

#### **The Card Acquiring Merchant Agreement**

By an invitation to tender, the Company invited three services providers, including AEON Credit and two other independent third party service providers, to offer card acquiring services to the Company. Each of these service providers offers a service fee rates scheme in connection with its card acquiring services and AEON Credit offered the Lowest Fee Rate among all these service providers, the Company therefore entered into the Card Acquiring Merchant Agreement. Whilst the Commission Payment Master Agreement covers card services provided by AEON Credit in respect of cards issued by AEON Credit, the Card Acquiring Merchant Agreement covers card services provided by AEON Credit in respect of cards issued by entities other than AEON Credit. The Directors consider that the procurement of AEON Credit's services pursuant to the Card Acquiring Merchant Agreement will save the Company's costs and further contribute positively in building sales and extending the Company's customer base and the Directors expect that there will be continual growth in sales attributable to the various payment solutions and related services to be provided by AEON Credit to customers of the Company.

The Directors, including the independent non-executive Directors whose view have been set out in the letter from the Independent Board Committee in this circular after taking into consideration the advice of the Independent Financial Adviser, are of the view that (i) the Card Acquiring Merchant Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Card Acquiring Merchant Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Card Acquiring Merchant Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

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## LETTER FROM THE BOARD

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### **The Royalty Agreement**

Pursuant to the Previous Royalty Agreement, the Company and its Affiliates (through the Company) has been granted various rights to use the Trade Marks and the Know-How. The Previous Royalty Agreement will expire on 31 December 2024. The Directors consider that the Trade Marks, which are well known in Hong Kong, Macau and the Guangdong Province of the PRC, are essential to the operations and success of the Group. In addition, the Know-How which comprises information and knowhow used, employed or developed by AEON Co for the management and operation of retail stores, wholesale business and related supporting facilities can also benefit the operations of the Group. The Directors therefore consider that the use of the Trade Marks by the Group would continue to benefit the business development and expansion of the Group in Hong Kong, Macau and the PRC. The Directors are of the view that the entering into of the Royalty Agreement would secure the continuing usage of the Trade Marks and the Know-How on terms reasonable to the Company and the renewal of the Previous Royalty Agreement is in the interest of the Company and its Shareholders as whole.

In respect of the royalty fee payable, the Company is not aware of directly comparable transaction on trademark licensing relating to general merchandise stores and supermarket stores in the market over the past 3 years. The royalty fees under the Royalty Agreement are determined after arm's length negotiations between the parties and such rates are the same as those under the Previous Royalty Agreement. In addition, AEON Co only grants the right to use its trademarks to its subsidiaries for the operation of general merchandise stores and supermarket stores in the PRC (which is regarded as exact and directly comparable transaction) charging at the same applicable rates as the Royalty Agreement. The royalty fee payable under the Royalty Agreement is thus considered on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

The terms of the Royalty Agreement have been reached after arm's length negotiations between the Company and AEON Co. The Directors, including the independent non-executive Directors whose view have been set out in the letter from the Independent Board Committee in this circular after taking into consideration the advice of the Independent Financial Adviser, are of the view that (i) the Royalty Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Royalty Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the Royalty Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

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## **LETTER FROM THE BOARD**

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### **INTERNAL CONTROL**

As part of the Group's internal control systems, the Company's Connected Party Transaction Panel, comprising corporate planning senior manager, finance manager, legal senior manager and the finance/administration general managers of two subsidiaries of the Company, will assist the Directors to review and monitor all connected transactions of the Group including the transactions under the CCT Agreements. The Connected Party Transaction Panel generally holds meetings biweekly to review and monitor all continuing connected transactions of the Group. The finance departments of the relevant members of the Group will conduct the initial level of control over the transaction and the transaction amounts under CCT Agreements to ensure they are conducted within the frameworks and the annual caps of the CCT Agreements. Where necessary, the Connected Party Transaction Panel will conduct biannual review of the transactions under the CCT Agreements to ensure the transactions are conducted within the framework of the CCT Agreements and monitor the utilisation of the annual caps for the CCT Agreements to ensure timely compliance with the requirements under Chapter 14A of the Listing Rules.

### **INFORMATION ABOUT THE PARTIES**

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

AEON Credit and its subsidiaries are principally engaged in the provision of consumer finance services, which include the issuance of credit cards and the provision of personal loan financing, insurance agency and brokerage business, and microfinance business. It is a subsidiary of AEON Co.

AEON Co is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. AEON Co's subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, the operation of specialty stores, the development of shopping centres as well as services and other operations in Japan and other Asian countries.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, each of AEON Credit and AEON Co is a connected person of the Company by virtue of AEON Co being the controlling shareholder of the Company and AEON Credit being a subsidiary of AEON Co. Accordingly, the transactions contemplated under each of the CCT Agreements constitute continuing connected transactions for the Company under the Listing Rules.

As the transactions under the Card Acquiring Merchant Agreement and the Commission Payment Master Agreement are entered into by the same parties and are similar in nature, the transactions under these two agreements shall be aggregated for the purpose of calculating the annual caps and determining the Listing Rules requirements applicable to the Card Acquiring Merchant Agreement.

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## LETTER FROM THE BOARD

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As the highest of the applicable percentage ratios in respect of the aggregated annual caps for the Card Acquiring Merchant Agreement and the annual cap under the Royalty Agreement are more than 5%, the transactions contemplated under each of the CCT Agreements constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules.

### **FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of each of the CCT Agreements and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular, which contains its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 25 to 38 of this circular, which contains its advise to the Independent Board Committee and the Independent Shareholders.

### **EGM**

Ordinary resolutions approving each of the CCT Agreements and the relevant annual caps of the underlying transactions contemplated thereunder shall be proposed at the EGM.

In view of AEON Credit and AEON Co's interests in the CCT Agreements, AEON Co, which as at the Latest Practicable Date beneficially held 155,760,000 Shares (representing approximately 59.91% of the issued Shares), and its associates (namely, AEON Credit, which is a subsidiary of AEON Co and as at the Latest Practicable Date was a beneficial owner of 1,776,000 Shares, representing approximately 0.68% of the issued Shares) are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve each of the CCT Agreements and the relevant annual caps of the underlying transactions contemplated thereunder.

As such, AEON Co and AEON Credit, which (i) in aggregate beneficially owned and controlled 157,536,000 Shares (representing approximately 60.59% of the issued Shares) as at the Latest Practicable Date; and (ii) are entitled to exercise control over the voting rights in respect of their Shares, shall abstain from voting at the EGM under the Listing Rules.

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## LETTER FROM THE BOARD

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Mr. Toshiya Goto, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Isei Nakagawa, Mr. Makoto Fukuda and Mr. Hiroyuki Inohara are shareholders, employees or ex-employees of AEON Co and are regarded as potentially having a material interest in the CCT Agreements. They have accordingly abstained from voting on the relevant resolutions at the Board meeting convened to consider the CCT Agreements. For the same reason, Mr. Isei Nakagawa (who as at the Latest Practicable Date beneficially held 15,000 Shares, representing approximately 0.00577% of the issued Shares), Mr. Takenori Nagashima (who as at the Latest Practicable Date beneficially held 12,000 Shares, representing approximately 0.00462% of the issued Shares) and Mr. Shinya Hisanaga (who as at the Latest Practicable Date beneficially held 30,000 Shares, representing approximately 0.01154% of the issued Shares) will also abstain from voting on the relevant resolutions as Shareholders at the EGM. Apart from the above persons, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolutions at the EGM.

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 Wednesday, 31 July 2024 at 9:00 a.m. is set out on pages 44 to 46 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, 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 EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 26 July 2024 to Wednesday, 31 July 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 Thursday, 25 July 2024.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that each of the continuing connected transactions contemplated under the CCT Agreements have been conducted by the Company in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the relevant annual caps for the transactions contemplated under the CCT Agreements are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions set out in the EGM notice.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

By Order of the Board  
**AEON Stores (Hong Kong) Co., Limited**  
**Toshiya GOTO**  
*Chairman*





**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)**

16 July 2024

*To: the Independent Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
ENTERING INTO OF THE CARD ACQUIRING MERCHANT  
AGREEMENT AND THE ROYALTY AGREEMENT**

We refer to the circular of the Company dated 16 July 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under each of the CCT Agreements are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the CCT Agreements.

We wish to draw your attention to the letter from the Board set out on pages 9 to 22 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 38 of the Circular which contains its opinion in respect of the transactions contemplated under the CCT Agreements.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the transactions contemplated under each of the CCT Agreements are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the EGM Notice.

Yours faithfully,  
Independent Board Committee of  
**AEON Stores (Hong Kong) Co., Limited**  
**Mr. Chow Chi Tong**  
**Mr. Hideto Mizuno**  
**Ms. Shum Wing Ting**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the annual caps, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

16 July 2024

*To: the Independent Board Committee and the Independent Shareholders of  
AEON Stores (Hong Kong) Co., Limited*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS ENTERING INTO OF THE CARD ACQUIRING MERCHANT AGREEMENT AND THE ROYALTY AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the CCT Agreements entered into by the Company on one hand and (i) AEON Credit; and (ii) AEON Co (the “**Counterparties**”) on the other and the relevant annual caps of the underlying transactions contemplated thereunder (the “**Annual Caps**”), details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 16 July 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the letter from the Board, as at the Latest Practicable Date, AEON Co is the controlling shareholder of the Company and AEON Credit is a connected person of the Company by virtue of it being a subsidiary of AEON Co. Accordingly, the transactions contemplated under each of the CCT Agreements constitute continuing connected transactions of the Company under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the transactions under the Card Acquiring Merchant Agreement and the Commission Payment Master Agreement are entered into by the same parties and are similar in nature, the transactions under these two agreements shall be aggregated for the purpose of calculating the annual caps and determining the Listing Rules requirements applicable to the Card Acquiring Merchant Agreement.

As the highest of the applicable percentage ratios in respect of the aggregated annual caps for the Card Acquiring Merchant Agreement and the annual caps under the Royalty Agreement are more than 5%, the transactions contemplated under each of the CCT Agreements constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting, has been formed to advise the Independent Shareholders as to whether the terms of the CCT Agreements and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited (“**Somerley**”), have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, AEON Co, AEON Credit or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the CCT Agreements and the Annual Caps. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, AEON Co and AEON Credit or their respective substantial shareholders or associates.

During the past two years, we acted as the independent financial adviser and issued opinion letters regarding the Company's continuing connected transactions as contained in its circulars dated 3 November 2022, 3 August 2023 and 6 December 2023 and as announced by the Company on 17 April 2023. The past engagements were limited to providing independent advisory services to the Company pursuant to the Listing Rules. Under the past engagements, we received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between Somerley on one hand and the Group, AEON Co and AEON Credit, and their respective substantial shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the transactions contemplated under the CCT Agreements (the “**Continuing Connected Transactions**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have reviewed, amongst others, the CCT Agreements, the annual report of the Company for the year ended 31 December 2023, the announcements of the Company dated 11 July 2024 in relation to the entering into of the CCT Agreements (the “**Announcement**”) and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group (the “**Management**”) regarding the businesses of the Group and the prospects of conducting the Continuing Connected Transactions.

We have relied on the information and facts supplied, and the opinions expressed to us, by the Management and have assumed that they are true, accurate and complete and will remain so up to the date of the EGM. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our advice and recommendation with regard to the CCT Agreements and the Annual Caps, we have taken into account the principal factors and reasons set out below:

#### **1. Information on the Group**

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

#### **2. Information on the Counterparties**

##### ***AEON Credit***

AEON Credit and its subsidiaries are principally engaged in the provision of consumer finance services, which include the issuance of credit cards and the provision of personal loan financing, insurance agency and brokerage business, and microfinance business. It is a subsidiary of AEON Co.

##### ***AEON Co***

AEON Co is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. AEON Co’s subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, the operation of specialty stores, the development of shopping centres as well as services and other operations in Japan and other Asian countries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for and benefits of the entering into the CCT Agreements

#### *(I) Card Acquiring Merchant Agreement*

By an invitation to tender, the Company invited three service providers, including AEON Credit and two other independent third party service providers, to offer card acquiring services to the Company. Each of these service providers offers service fee rates scheme in connection with its card acquiring services (the “**Tender Documents**”) and AEON Credit offered the Lowest Fee Rate among all these service providers, the Company therefore entered into the Card Acquiring Merchant Agreement. Whilst the Commission Payment Master Agreement covers card services provided by AEON Credit in respect of cards issued by AEON Credit, the Card Acquiring Merchant Agreement covers card services provided by AEON Credit in respect of cards issued by entities other than AEON Credit. The Directors consider that the procurement of AEON Credit’s services pursuant to the Card Acquiring Merchant Agreement will save the Company’s costs and further contribute positively in building sales and extending the Company’s customer base and the Directors expect that there will be continual growth in sales attributable to the various payment solutions and related services to be provided by AEON Credit to customers of the Company.

Having considered the card acquiring services under the Card Acquiring Merchant Agreement are essential for the Group’s operation and AEON Credit offers the Lowest Fee Rate, we concur with the Directors’ view that the entering into of the Card Acquiring Merchant Agreement is in the interest of the Group.

#### *(II) Royalty Agreement*

Pursuant to the Previous Royalty Agreement, the Company and its Affiliates (through the Company) has been granted various rights to use the Trade Marks and the Know-How. The Previous Royalty Agreement will expire on 31 December 2024. The Directors consider that the Trade Marks, which are well known in Hong Kong, Macau and the Guangdong Province of the PRC, are essential to the operations and success of the Group. In addition, the Know-How which comprises information and knowhow used, employed or developed by AEON Co for the management and operation of retail stores, wholesale business and related supporting facilities can also benefit the operations of the Group.

Having considered that (i) the Group is principally engaged in the operation of retail stores with the use of the Trade Marks and the Know-How; and (ii) the Previous Royalty Agreement will expire after 31 December 2024 and the renewal is to ensure the Group’s business operation continuity in Hong Kong and the PRC which is vital to the Group, we concur with the Directors’ view that the entering into of the Royalty Agreement is in the ordinary and usual course of business of the Group.

#### **4. Principal Terms of the CCT Agreements**

##### ***(I) Card Acquiring Merchant Agreement***

AEON Credit has agreed to act as the Group's card acquisition merchant to facilitate Card purchases made by customers of the Group in Hong Kong commencing from 16 August 2024 for a period of three years, and in return AEON Credit will charge the Group commission (i.e. the Merchant Discount Amount) equivalent to fixed percentages of the Card purchase amount for the Cards issued by entities other than AEON Credit. The commission rate chargeable by AEON Credit, ranges from 0.98% to 1.90%, depending on the Card type (i.e. Visa, Master, JCP, and CUP) and business type (i.e. supermarket or retail shop), where applicable. AEON Credit will collect the Merchant Discount Amount by way of deducting from the settlement amount to be received from the card issuing banks or companies before returning the remaining amount to the Group within two business days upon completion of the relevant transaction.

We have reviewed and compared the terms of the Card Acquiring Merchant Agreement and the existing agreement and noted that, save for the commission rates, the terms are materially the same.

We have also reviewed the Company's tender invitations in respect of the provision of card acquiring services and the Tender Documents which set out the commission rates proposed by the bidders. We are advised by the Management that the Group selected the service provider for the provision of card acquisition services primarily based on the comparison of the total commission charges to be borne by the Group which are calculated based on the commission rates quoted by the qualified bidders (including AEON Credit) multiplied by the card acquisition amount for 2023 (actual) and 2024 (projected). We have reviewed such calculations and noted that the commission rates quoted by the bidders in the Tender Documents are used in calculating the commission payable. Based on the Group's calculation which we have reviewed, the commission rates quoted by AEON Credit would result in highest saving for the Group.

Given that (i) the selection of the service provider based on a bidding process, which involves three bidders with two being independent third parties, is a common market practice for procurement of goods or services; (ii) save for the commission rates, the terms of the Card Acquiring Merchant Agreement and the existing agreement are materially the same; and (iii) AEON Credit's commission payable is lower than those of the other two bidders in the Tender based on the card acquisition amount for 2023 (actual) and 2024 (projected), we consider that the terms of the Card Acquiring Merchant Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(II) Royalty Agreement*

Pursuant to the Royalty Agreement, the Company and its Affiliates (through the Company) shall be (i) granted an exclusive right to use the Hong Kong Trade Marks and the Macau Trade Marks in relation to the Business in Hong Kong and Macau; (ii) granted a non-exclusive right to use the Trade Marks in relation to other businesses in Hong Kong, Macau and the PRC; and (iii) provided with full particulars of the Know-How and granted the non-exclusive right to use the Know-How in Hong Kong, Macau and the PRC and in return the Company shall pay to AEON Co in each financial year a fee equal to the aggregate of (a) an amount representing 0.2% of the audited consolidated Total of Revenue of the Company and its Affiliates; and (b) an amount representing 0.05% of the audited Total of Revenue of the Company and its Affiliates in respect of the Business in Hong Kong and Macau, both for such financial year.

We are advised by the Management that an extra fee of 0.05% will be charged on the audited Total of Revenue of the Group in respect of the Business in Hong Kong and Macau due to the granting of the exclusive right to use the Hong Kong Trade Marks and the Macau Trade Marks in relation to the Business within Hong Kong and Macau. In short, the total fee charged by AEON Co to the Company will not be more than 0.25% of the Total of Revenue of the Group for the exclusive and non-exclusive rights to use the Trade Marks and the Know-How under the Royalty Agreement.

We have discussed with the Management and are advised that only member companies of the AEON group have been granted the right to use the AEON trademarks and know-how and therefore no third party transactions are available for comparison. We have reviewed (i) the Previous Royalty Agreement entered into between the Company and AEON Co and noted that the pricing terms under the Royalty Agreement are materially the same as those under the Previous Royalty Agreement; and (ii) two royalty agreements entered into between AEON Co and fellow subsidiaries of the Company relating to the grant of non-exclusive right by AEON Co to use the trade name, trademarks and know-how for the operation of retail stores in the PRC excluding Guangdong Province and noted that the terms of the agreements are similar to those under the Royalty Agreement and the royalty fee charged by AEON Co are the same (i.e. 0.2% of the revenue of the group for the relevant financial year).



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also endeavoured to identify comparable transactions involving similar royalty fee arrangement in the past five years (i.e. from 1 January 2019 to the date of the announcement with respect to the CCT Agreements, the “**Review Period**”), where (i) the licensee obtains the right to use the trademarks for retailing and either itself, its holding company or its counterparty is listed on the Main Board of the Stock Exchange and within diversified retailers and supermarket and convenience stores category based on AASTOCKS.com (the Company is also under this category); and (ii) such transactions are publicly announced by way of announcement during the Review Period with pricing terms and remain effective. However, among the 18 Main Board listed companies (excluding the Company) within the diversified retailers and supermarket and convenience stores category, no comparable transaction is identified.

As such, we expanded our scope to include companies under (i) apparel; (ii) apparel retailers; (iii) packaged foods; and (iv) restaurant categories on AASTOCKS.com. Among the 115 Main Board listed companies within the aforementioned categories, seven licensing arrangements relating to the obtaining/granting of the right to use the trademarks in connection with the sales of merchandise is identified, out of which only two transactions involved/will involve in the operation of retail/online stores with pricing basis similar to that under the Royalty Agreement (the “**Comparable Transactions**”). Under the remaining five arrangements, either the licensees are not engaged in any online or offline stores operation or the pricing basis is not disclosed, or, if disclosed, is a fixed sum, which are considered not relevant or useful for comparison purpose. The Comparable Transactions, based on the above selection criteria, so far as we are aware of, are exhaustive, and are thus considered to be fair and representative samples. Details of the Comparable Transactions are set out in the table below:

Date	Company (stock code)	Transaction description	Pricing terms for the use of trademark(s)
5 February 2024	YGM Trading Limited (375)	The grant of (i) a non-exclusive and non-transferable right, license and authority by the group to its connected party (“ <b>YGM Licensee</b> ”) to utilise certain trademarks of the group to (a) design licensed products; and (b) manufacture licensed products in the PRC; and (ii) an exclusive and non-transferable right to promote, market, advertise, package, distribute and sell the licensed products in the PRC.	Each year (i) 5% on the first US\$10 million of the net total invoiced revenue (i.e. sum of (a) net retail sales value including value-added taxes less 60% and (b) net wholesale value including value-added taxes, of the licensed products); and (ii) 4% of the net total invoiced revenue after exceeding US\$10 million. In addition, YGM Licensee is required to pay minimum royalty fees which are varied during the term of the license agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date	Company (stock code)	Transaction description	Pricing terms for the use of trademark(s)
31 May 2019	Sterling Group Holdings Limited (1825)	The grant of a non-transferable licence by the group to a third party (“ <b>Sterling Licencee</b> ”) to utilise the licensed intellectual property of the group in the manufacturing, marketing, sale, and distribution of the relevant products solely within the licensed territories.	<ul style="list-style-type: none"> <li>(i) 0.4% of all gross sales for the first US\$40 million of the products bearing or utilising any of the licensed intellectual property in the 12 month period after the date of the license agreement;</li> <li>(ii) 1% of gross sales on all gross sales after exceeding US\$40 million through the remainder of the term of the license agreement; and</li> <li>(iii) minimum amount of the royalty payment would be US\$120,000 per annum.</li> </ul>

As advised by the Management, the Trade Marks are mainly for use in the operation of retail stores, related promotion and advertising purpose which, in our view, is similar to those under the Comparable Transactions as each of YGM Licencee and Sterling Licencee was granted the right to use the trademarks for sale, distribution and promotion of licensed products. In addition, the pricing basis under the Royalty Agreement which is determined based on a percentage of the Total of Revenue deriving from the sales of goods and rentals collected at the premises bearing the Trade Marks is similar to those of the Comparable Transactions. Pursuant to the pricing terms of the Comparable Transactions which are shown in the above table, YGM Licencee and Sterling Licencee are required to pay royalty fees of 0.4% – 5% of the relevant sales, which are higher than the royalty fee of 0.20% – 0.25% of the Total of Revenue charged under the Royalty Agreement.

Having considered that (i) the pricing basis under the Royalty Agreement is similar to the Comparable Transactions; (ii) the royalty fee of 0.20% – 0.25% of the Total of Revenue charged under the Royalty Agreement is lower than those of the Comparable Transactions; and (iii) the terms of the Royalty Agreement are similar to those under the royalty agreements entered into of between AEON Co and fellow subsidiaries of the Company and the applicable royalty fee charged by AEON Co are the same across those fellow subsidiaries and the Group, we consider the pricing of the Royalty Agreement to be fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. The Annual Caps

#### *(I) Card Acquiring Merchant Agreement*

We have reviewed and discussed with the Management their estimated commission payable to AEON Credit for the period from 16 August 2024 to 15 August 2027 for determining the annual caps for the transactions contemplated under the Card Acquiring Merchant Agreement (the “**Card Acquisition Annual Caps**”). A summary of the Group’s projections prepared by the Management is set out below:

<i>(HK\$'million)</i>	FY2023 <sup>(1)</sup>	5M2024 <sup>(1)</sup>	FY2024 <sup>(2)</sup>	FY2025 <sup>(2)</sup>	FY2026 <sup>(2)</sup>	FY2027 <sup>(2)</sup>
	Actual amount		Estimated amount			
Card acquisition transaction amount	1,072.4	423.3	1,077.3	1,141.3	1,104.5	1,106.9
Growth rate	NA	NA	0.5%	5.9%	(3.2)%	0.2%
Card acquisition charges	14.7	5.8	14.7	15.6	15.1	15.1
Buffer of 14%	NA	NA	2.1	2.2	2.1	2.1
<b>Existing/proposed annual caps</b>	<b>23.2</b>	<b>12.2<sup>(3)</sup></b>	<b>6.3<sup>(4)</sup></b>	<b>17.8</b>	<b>17.2</b>	<b>10.7<sup>(4)</sup></b>
Utilisation rate	63.4%	NA	NA	NA	NA	NA

*Notes:*

1. The annual caps for FY2023 and for the period from 1 January 2024 to 15 August 2024 were approved by the independent shareholders of the Company on 30 July 2021. 5M2024 refers to five months ended 31 May 2024.
2. The card acquisition transactions are expected to commence from 16 August 2024 and end on 15 August 2027 and, thus, the Card Acquisition Annual Caps are also to cover the same periods. The Card Acquisition Annual Caps have been rounded up to the nearest 100,000.
3. Such Card Acquisition Annual Cap is for the period from 1 January 2024 to 15 August 2024.
4. The Card Acquisition Annual Caps for FY2024 and FY2027 are calculated on pro rata basis for the period from 16 August 2024 to 31 December 2024 and 1 January 2027 to 15 August 2027, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed and discussed the above projection with the Management and are advised that the estimated card acquisition amount is derived from (i) the estimated total sales as per the Group's mid-term plan for FY2024-FY2026 and the Management's estimation for FY2027; and (ii) the proportion of customer purchases on credit cards in 5M2024. The Management considered that the historical card acquisition transaction amounts in FY2021-FY2023 might not be useful due to the distribution of the government's consumption voucher and therefore the relevant figures for 5M2024 have been used for projecting future card acquisition transaction amounts for each card type. The card acquisition transaction amounts are projected to increase by 0.5% from HK\$1,072.4 million for FY2023 to HK\$1,077.3 million for FY2024 and further increase by 5.9% to HK\$1,141.3 million for FY2025 as it is expected more consumption via credit cards without consumption vouchers. The Management advised us that the drop in the projected card acquisition transaction amount for FY2026 is due to the closure of one of the Group's general merchandise store in Hong Kong in FY2026 according to its mid-term plan. The projected card acquisition transaction amount for FY2027 is about the same as that for FY2026.

The weighted average commission rate chargeable by AEON Credit for FY2024-FY2027, which is also based on the actual proportion of customer purchases on credit cards in 5M2024 multiplied by the commission rates under the Card Acquiring Merchant Agreement, is estimated to be 1.36-1.37%. As the commission rates agreed under the Card Acquiring Merchant Agreement are different from those under the existing agreement, such weighted average rate is lower than the actual rate in 5M2024.

Furthermore, for the purpose of determining the Card Acquisition Annual Caps, a buffer of 14% is applied to the estimated commission charges payable to AEON Credit to accommodate any unexpected increase in direct and concessionaire sales or card acquisition transaction amount resulting from, among other things, sales or Card promotions, which in turn might lead to higher than expected Card charges payable to AEON Credit.

Given the Card Acquisition Annual Caps are determined based on (i) the total sales of the Group as per its mid-term plan and the Management's estimation; (ii) the estimated card acquisition transaction amounts being projected based on the same splits of the transactions in 5M2024; (iii) the projected card acquisition charges payable to AEON Credit are computed by using the weighted average commission rate calculated based on the splits of the card acquisition amount by each card types in 5M2024 and the commission rates agreed under the Card Acquiring Merchant Agreement; and (iv) a buffer of 14%, we are of the view that the basis in arriving at the Card Acquisition Annual Caps are reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***(II) Royalty Agreement***

We have reviewed and discussed with the Management their estimated royalty fee payable to AEON Co under the Royalty Agreement for determining the annual caps covering FY2025 to FY2027 (the “**Royalty Annual Caps**”). A summary of the Group’s projections prepared by the Management is set out below:

<i>(HK\$ million)</i>	FY2022 <sup>(3)</sup>	FY2023 <sup>(3)</sup>	5M2024 <sup>(4)</sup>	FY2024 <sup>(3)</sup>	FY2025 <sup>(5)</sup>	FY2026 <sup>(5)</sup>	FY2027 <sup>(5)</sup>
	Actual amount			Estimated amount			
Total of Revenue of the Group <sup>(1)</sup>	11,732.8	10,675.4	4,311.0	11,241.9	12,101.7	12,288.9	12,757.2
Royalty fee of 0.20%	23.5	21.4	8.6	22.5	24.2	24.6	25.5
Total of Revenue of the Group in respect of the Business in Hong Kong	5,223.6	4,694.7	1,811.6	4,915.8	5,211.6	5,034.7	5,052.3
Royalty fee of 0.05%	2.6	2.3	0.9	2.5	2.6	2.5	2.5
Total royalty fee paid/payable to AEON Co <sup>(2)</sup>	26.1	23.7	9.5	24.9	26.8	27.1	28.0
Buffer of 10%	NA	NA	NA	NA	2.7	2.7	2.8
<b>Existing/proposed annual caps</b>	<b>32.1</b>	<b>34.7</b>	<b>NA</b>	<b>37.2</b>	<b>29.5</b>	<b>29.9</b>	<b>30.9</b>
Utilisation rate	81.3%	68.3%	NA	NA	NA	NA	NA

*Notes:*

- (1) Total of Revenue of the Group is the aggregate of (i) the total amount of the consolidated direct sales; (ii) the total amount of the consolidated concessionaires sales; and (iii) the total amount of licensee fees and rentals received, all attributable to the rights to use the relevant Trade Marks.
- (2) The total royalty fees paid to AEON Co for FY2022 and FY2023 in the above table are slightly different from the relevant figures set out in the Company’s annual reports for the respective year. As advised by the Management, this is mainly due to different exchange rates used between their in-house record and accounting purposes.
- (3) The annual caps for FY2022-FY2024 were approved by the independent shareholders of the Company on 26 October 2021.
- (4) The above figures are based on the management financial information of the Group for the five months ended 31 May 2024. The actual royalty fee will be calculated based on the audited consolidated Total of Revenue of the Group.
- (5) The annual caps for FY2025-FY2027 (i.e. the Royalty Annual Caps) have been rounded up to the nearest 100,000.
- (6) Due to rounding, the figures may not add up to the total amount.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Management, the Total of Revenue (i) comprises of direct and concessionaire sales and licence/rental income from both Hong Kong and PRC operations where rental income only accounts for less than 5% of the Total of Revenue; and (ii) is highly dependent on the business performance of the stores. The total amount of the consolidated concessionaires sales represents the total amount of sales proceeds received by the respective concessionaires that are operating their business inside the respective store premises of the Group. The “total amount of concessionaire sales” is different from and is greater than the “income from concessionaire sales” as disclosed in the Company’s consolidated financial statements, which is the income derived from the concessionaires’ business operations. “Income from concessionaire sales” represents any fee or commission to which the Group is entitled for acting as an agent for sale of goods and services of another party to customers, which is recognised as the Group’s revenue. As shown in the table in section 4.(II) above, the fees payable under the Comparable Transactions are based on either net retail/wholesale value or gross sales. On this basis, the royalty fee payable under the Royalty Agreement based on, amongst others, “total amount of concessionaire sales” is considered to be acceptable.

We are advised by the Management that the Total of Revenue was lower or is expected to be lower than the estimated revenue when determining the existing caps for FY2022-FY2024, largely due to various challenges remained in the post-pandemic era. They include economic downturn caused by global interest rate hikes and weak domestic demand in the PRC and Hong Kong due to a recession in the property markets and the pandemic. Moreover, the Hong Kong retail sector was impacted by the decline in consumer purchasing power and local residents’ outbound and northbound travels. The severe recession in the PRC real estate market 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.

As advised by the Management, the estimated Total of Revenue for FY2024-FY2027 are projected based on the Company’s mid-term plan for FY2024-FY2026 and the Management’s estimation for FY2027. We have also been provided with the Group’s stores plan for FY2024-FY2027 and noted that (i) in Hong Kong, the Group planned to (a) close 2 of its general merchandise stores in FY2024 and FY2026; (b) gradually increase the number of supermarkets from 2 in FY2024 to 8 in FY2027; and (c) expand and open stores of different formats to cover different consumer groups and needs (i.e. small specialty stores from 74 in FY2024 to 88 in FY2027 and coffee shops from 7 in FY2024 to 18 in FY2027) and (ii) in the PRC, the Group planned to (a) close 1 general merchandise store in FY2027; and (ii) gradually open supermarkets, both standalone and within its general merchandise stores, to increase from 10 in FY2024 to 18 in FY2027. As advised by the Management, the Group’s stores plan aimed to give full play to the Group’s synergies and increase the overall profit margin effectively. Apart from brick-and-mortar, the Group will also further expand Net Super online business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above table, Total of Revenue of the Group is projected to grow at 1.5%-7.6% per annum in FY2024-FY2027 while Total of Revenue of the Group in respect of Business in Hong Kong showed a slower growth of 0.4%-6.0% in FY2024, FY2025 and FY2027 and a negative growth of 3.4% in FY2026. The projected revenue of the Group is, in our view, largely in line with its stores plan in FY2024-FY2027.

A buffer of 10% is applied to the estimated royalty fee payable to AEON Co for each of FY2025-FY2027 to allow flexibility to the Group's business operations as well as to accommodate unexpected increase in Total of Revenue resulting from, among other things, additional number of stores and/or exchange rate fluctuations.

Given the Royalty Annual Caps are determined based on (i) the estimated direct and concessionaire sales and licence/rental income after having considered the Group's mid-term plan and stores plan and the recent market conditions and sales performance; and (ii) a buffer of 10%, we are of the view that the basis in arriving at the Royalty Annual Caps are reasonable so far as the Company and the Independent Shareholders are concerned.

### **6. Internal control**

As stated in the letter from the Board, as part of the Group's internal control systems, the Company's Connected Party Transaction Panel, comprising corporate planning senior manager, finance manager, legal senior manager and the finance/administration general managers of two subsidiaries of the Company, will assist the Directors to review and monitor all connected transactions of the Group including the transactions under the CCT Agreements. The Connected Party Transaction Panel generally holds meetings biweekly to review and monitor all continuing connected transactions of the Group. The finance departments of the relevant members of the Group will conduct the initial level of control over the transaction and the transaction amounts under CCT Agreements to ensure they are conducted within the frameworks and the annual caps of the CCT Agreements. Where necessary, the Connected Party Transaction Panel will conduct biannual review of the transactions under the CCT Agreements to ensure the transactions are conducted within the framework of the CCT Agreements and monitor the utilisation of the annual caps for the CCT Agreements to ensure timely compliance with the requirements under Chapter 14A of the Listing Rules.

In addition, the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions under the CCT Agreements are conducted on normal commercial terms and the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions under each of the CCT Agreements are conducted in accordance

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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with the terms therein. Furthermore, we noted from the Annual Report that the transactions under the Previous Royalty Agreement and the Previous Card Acquiring Merchant Agreement were carried out within their respective applicable annual caps for 2021-2023.

On the above basis, we concur with the view of the Management that adequate measures have been put in place to monitor the transactions under the CCT Agreements in order to protect the interests of the Company and the Independent Shareholders.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the transactions contemplated under the CCT Agreements are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the CCT Agreements are on normal commercial terms and fair and reasonable and the bases in arriving at the Annual Caps are reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to approval of the CCT Agreements and the Annual Caps.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is licenced person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*



## 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 INTERESTS 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 Directors	Number of ordinary shares held as personal interests	Approximate percentage of interests
NAGASHIMA Takenori	12,000	0.00462%
HISANAGA Shinya	30,000	0.01154%

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

Name of Directors	Number of ordinary shares held as personal interests <i>(Note)</i>	Approximate percentage of interests
GOTO Toshiya	6,300	0.00072%
HISANAGA Shinya	2,030	0.00023%
FUJITA Kenji	1,104	0.00013%

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

**(B) Substantial shareholder's 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 <i>(Note)</i>	60.59%

*Note:* These Shares are held as to 155,760,000 Shares by AEON Co and 1,776,000 Shares by AEON Credit. AEON Credit is directly or indirectly owned or controlled by AEON Co as to 286,088,000 shares representing 68.32% of the issued share capital of AEON Credit. AEON Co is deemed to be interested in the 1,776,000 Shares owned by AEON Credit.

### 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.

	<b>Name of substantial shareholder of the Company</b>	<b>Position in the substantial shareholder of the Company</b>
GOTO Toshiya	AEON Co	Executive Officer
YOKOCHI Yasutoshi	AEON Co	General Manager of Overseas Company Management Department

### 4 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or 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 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 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.

**8 MATERIAL CONTRACTS**

Save for the sale and purchase agreement dated 17 May 2024 entered into between the Company as vendor and the AEON Financial Service (Hong Kong) Co., Limited as purchaser in relation to the disposal by the Company of 1,654,500 shares in AEON Credit at the total consideration of HK\$9,993,180 (details of which are set out in the announcements of the Company dated 17 May 2024 and 20 May 2024), the Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

**9 LITIGATION**

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

**10 EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a corporation licenced to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO

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 of 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.

## **11 GENERAL**

- (1) The registered office of the Company is at G-4 Floor, Kornhill Plaza (South), 2 Kornhill Road, Hong Kong.
- (2) The head office and principal place of business of the Company is at Units 07-11, 26th Floor, 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.

## **12 DOCUMENTS ON DISPLAY**

A copy of each of the CCT Agreements will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.aeonstores.com.hk](http://www.aeonstores.com.hk)) for a period of 14 days from the date of this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 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 Wednesday, 31 July 2024 at 9:00 a.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 EGM shall bear the same meaning as that defined in the circular to shareholders of the Company dated 16 July 2024.

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the Card Acquiring Merchant Agreement, 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 and the relevant annual cap for 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 Card Acquiring Merchant Agreement and the transactions contemplated thereunder and the annual cap for 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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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in connection with the implementation of the Card Acquiring Merchant Agreement and/or the transactions contemplated thereunder and/or the annual cap for 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 Royalty Agreement, 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 and the relevant annual cap for 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 Royalty Agreement and the transactions contemplated thereunder and the annual cap for 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 Royalty Agreement and/or the transactions contemplated thereunder and/or the annual cap for 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 July 2024

*Registered office:*

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need 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 Friday, 26 July 2024 to Wednesday, 31 July 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 Thursday, 25 July 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 7: 30 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the Company's website at [www.aeonstores.com.hk](http://www.aeonstores.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://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 Wednesday, 31 July 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.