
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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 MASTER SERVICES AGREEMENT AND
THE GC MASTER AGREEMENT**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

 **SOMERLEY CAPITAL LIMITED**

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from Sommerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 33 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 Thursday, 13 March 2025 at 5:30 p.m. is set out on pages 39 to 41 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 Investor Services 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.

25 February 2025

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DEFINITIONS

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)
“AEON Delight”	永旺永樂服務管理集團有限公司, a company with limited liability established under the laws of the PRC and an indirect non-wholly-owned subsidiary of AEON Co
“AEON Delight Group”	AEON Delight, together with its PRC incorporated subsidiaries, related and affiliate corporations
“AEON Stores Gift Certificates”	the cash certificates issued by the Company, either in printed form or in electronic format, with its value and expiry date marked thereon and readily accepted by the Company as cash equivalents for settling transactions in its stores within its validity of usually of one (1) to two (2) years from issuance and subject to such conditions printed thereon, which may be amended by the Company from time to time in its sole and absolute discretion
“Board”	the board of Directors
“CCT Agreements”	the Master Services Agreement and the GC Master Agreement
“Company”	AEON Stores (Hong Kong) Co., Limited (永旺(香港)百貨有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 984)
“Condition Precedents”	in respect of each of the CCT Agreements, approval of such CCT Agreements by the Company’s Independent Shareholders and compliance with all applicable requirements under the Listing Rules by the relevant parties to such CCT Agreements

DEFINITIONS

“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
“Director(s)”	the director(s) of the Company
“Effective Date”	1 March 2025 or a date after fulfillment of the Condition Precedent and mutually agreed to by the parties in writing
“EGM”	the extraordinary general meeting of Shareholders to be held to consider the resolution 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 Thursday, 13 March 2025 at 5:30 p.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
“GC Master Agreement”	the Master Agreement – Gift Certificate conditionally entered into between the Company and AEON Credit on 19 February 2025
“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
“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

DEFINITIONS

“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
“Latest Practicable Date”	19 February 2025, 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
“Macau”	the Macau Special Administrative Region of the PRC
“Master Services Agreement”	the master services agreement conditionally entered into between the Company and AEON Delight on 31 December 2024
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Previous GC Master Agreement”	the Master Agreement – Gift Certificate entered into between the Company and ACSA on 22 February 2022
“Previous Master Services Agreement”	the master services agreement conditionally entered into between the Company and AEON Delight on 30 June 2021
“RMB”	renminbi, the lawful currency of the PRC
“Services”	the services to be provided by the AEON Delight Group pursuant to the Master Services Agreement, including comprehensive building/facilities management, maintenance and cleaning services, management consultation, business services, research, development and production of computer hardware and software, data processing and such other services in relation to retail stores, offices and/or other facilities/establishments operated by the Group in Hong Kong and the PRC as may be agreed by the parties from time to time

DEFINITIONS

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD



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. Kenji FUJITA

Mr. Yasutoshi YOKOCHI

Mr. Hiroyuki INOHARA

Independent Non-executive Directors:

Mr. CHOW Chi Tong

Mr. Hideto MIZUNO

Ms. SHUM Wing Ting

Registered office:

G-4 Floor

Kornhill Plaza (South)

2 Kornhill Road

Hong Kong

25 February 2025

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO OF THE MASTER SERVICES AGREEMENT AND
THE GC MASTER AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 31 December 2024 and 19 February 2025 in relation to, among other things, the CCT Agreements that the Company has conditionally entered into, namely:

- the Master Services Agreement with AEON Delight to renew the Previous Master Services Agreement which expired on 31 December 2024; and

LETTER FROM THE BOARD

- the GC Master Agreement with AEON Credit in respect of the Company's sale of the AEON Stores Gift Certificates to AEON Credit.

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 MASTER SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 30 June 2021 in relation to the Previous Master Services Agreement which expired on 31 December 2024.

On 31 December 2024, the Company has conditionally entered into the Master Services Agreement with AEON Delight to renew the Previous Master Services Agreement.

Principal terms

The principal terms of the Master Services Agreement are as follows:

Date: 31 December 2024

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

Term: Subject to the fulfilment of the Condition Precedents, the term of the Master Services 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 Master Services Agreement. If the Condition Precedents have not been fulfilled as certified by the respective party, the Master Services Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach. For the avoidance of doubt, in the event that the Condition Precedents have not been fulfilled, the term of the Master Services Agreement shall be for a period from 1 January 2025 to the date when the accumulated transaction amount is about to reach HK\$10 million.

LETTER FROM THE BOARD

Provision of services: Pursuant to the Master Services Agreement, where a member of the AEON Delight Group is selected through relevant procurement process (as referred to in the section Procurement Process below) to provide the Services, the Company and/or the relevant member of the Group and the relevant member of the AEON Delight Group may from time to time (and AEON Delight shall procure such member of the AEON Delight Group to) enter into separate contracts setting out the detailed terms under which the relevant member of the AEON Delight Group shall provide, or procure to be provided, the Services to the Company and/or the relevant member of the Group. Such terms shall be on normal commercial terms, on an arm's length basis and are on terms not less favourable to which the Company and/or the relevant member of the Group procures the Services from independent third parties.

Subcontracting and procurement of services: In fulfilling its obligations under any separate contracts entered into pursuant to the Master Services Agreement, the relevant member of the AEON Delight Group shall not subcontract to or procure the provision of the Services by any third party unless such member of the AEON Delight Group shall have first obtained the prior written consent of the Company and/or the relevant member of the Group, and provided that such third party shall be required to render such Services in accordance with all the terms of the Master Services Agreement and the relevant separate contract, and such member of the AEON Delight Group shall remain primarily liable for the performance of its obligations hereunder.

Procurement Process

In relation to the procurement process, the relevant members of the Group determine item(s) of the Services required for its retail store(s) and applicable requirements, e.g. the size and area of the premises to be serviced, the expected manpower, their positions and the respective tasks involved and the proposed budget.

The relevant members of the Group may, in their sole and absolute discretion, invite the bidders to submit their fee quotations for the provision of the Services. If the AEON Delight Group is invited, the relevant member of the Group will also ensure to invite quotations from at least two other independent third party suppliers for the same items of the Services and requirements.

LETTER FROM THE BOARD

Quotations and/or tenders that the Group receives will be opened in the presence of the user department, implementation department and the compliance department. Taking into account the proposed budget, the relevant members of the Group in PRC may invite each of the bidders to submit second and/or third fee quotations (lowering their fee quote each time) whereas the Company in Hong Kong will invite the bidders to join a reverse auction process (a process where the bidders compete to offer the lowest fee). The bidding results will be submitted to the management for assessment and approval.

The management of the relevant member of the Group will then compare the quotations offered by the respective bidders and conduct an assessment, taking into account factors such as their background and reputation, any existing business relationship with such bidders, the relevant bidder's previous performance, the price, scope, quality of services offered by the bidders and the technical skills required by the Services.

Where the item of Services demands a higher level of technical skills, a pre-determined comprehensive assessment will be applied whereby different factors (mentioned in the preceding paragraph) will be assigned different weight (with factors like price, bidder's previous performance, quality of services and technical skills required by the Services carrying heavier weight and with the other factors regarded as entrance requirements) and each to be marked. For less demanding item of Services, the bidder with the lowest fee quotation wins the tender. After considering the abovementioned factors, the management of the relevant member of the Group will then decide on which bidder to engage and enter into a services contract with for the provision of Services.

Where AEON Delight Group is the winner, the proposed transaction will be further reviewed by the Company's Connected Party Transaction Panel to ensure compliance with the requirements of the Listing Rules before it proceeds with the approval process in accordance with the relevant member of the Group's corporate governance procedures.

Through the above procurement process, AEON Delight Group has been providing four main types of the Services, namely, cleaning, maintenance, security and store interior design services. The cleaning, maintenance and security services are provided to various of the Group's retail stores on a daily basis while store interior design services are on project basis as and when the Group renovates a store or opens new store. Separate contract will be entered into with the relevant member of AEON Delight Group if it is the winning bidder. The separate contract is usually for a duration of one year with the service fee, the store to be served, scope of services and other requirements (e.g. manpower and equipment) in the same price, terms and conditions as offered by the AEON Delight Group during the procurement process with the participation of at least two other independent third party suppliers. Prior to expiration of the separate contract, a procurement process will be kicked off. The Group considers that the item(s) of Services, size and area of the premises and other requirements like the manpower specified are the key factors contributing to how the bidders formulate their prices offered in their fee quotations. However, irrespective of how the bidders formulate their pricing, the Group usually chooses the one

LETTER FROM THE BOARD

offering the lowest quotation after the second/third fee quotations or the reverse auction process mentioned above. The Board considers that the final pricing determined through the above procedures to be fair and reasonable and in the best interest of the Company.

By implementing the above tendering methods and procedures, the Directors consider that the Company has implemented sufficient measures to ensure that the transactions under the Master Services Agreement will be conducted on normal commercial terms or terms not less favourable to which the relevant members of the Group procure from independent third parties and that the prices and terms obtained thereby are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

The transaction amount and annual cap

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

Financial Year	Annual cap <i>RMB million</i>
1 January to 31 December 2025	85.7
1 January to 31 December 2026	109.2
1 January to 31 December 2027	115.2

In arriving at the above annual caps, the Directors have taken into account (i) historical transaction amounts under the Previous Master Services Agreement as set out below; (ii) the expected business growth of the Group (including the opening of new stores) and based on the assumption that AEON Delight will win the relevant tenders and be selected for the provision of certain Services for existing and new stores; (iii) the expected price increment of approximately 2% in the service fees payable by the Company's subsidiaries and (iv) AEON Delight's new expansion of business to cover Hong Kong area in 2024. Taking into account the above, the Directors consider that the annual caps for the Master Services Agreement are fair and reasonable. The Directors consider that the historical transaction amounts for the Previous Master Services Agreement is only one of the factors in arriving at the proposed annual caps for the Master Services Agreement. The other factors such as AEON Delight winning the tenders and the Group's expected business growth take a heavier weight in the process of determining the proposed annual caps.

LETTER FROM THE BOARD

Historical transaction amount paid by the Company under the Previous Master Services Agreement:

Financial Year/Period	Annual Cap under Previous Master Services Agreement (RMB million)	Actual Transaction Amount (RMB million)
1 January 2022 – 31 December 2022	40.5	29.3
1 January 2023 – 31 December 2023	49.5	36.1
1 January 2024 – 31 December 2024	54.7	39.7

The transaction amount payable by the Company pursuant to the Master Services Agreement for the period from 1 January 2025 to 28 February 2025 is expected to be approximately HK\$7.93 million. The Company shall ensure that the transaction amount payable by the Company pursuant to the Master Services Agreement for the period from 1 January 2025 to the date of EGM will not exceed HK\$10 million.

THE GC MASTER AGREEMENT

Reference is made to the announcement of the Company dated 22 February 2022 regarding the Previous GC Master Agreement in relation to the Company's sale of the AEON Stores Gift Certificates to AEON Credit which is due to expire on 28 February 2025.

On 19 February 2025, the Company has conditionally entered into the GC Master Agreement with AEON Credit to renew the Previous GC Master Agreement.

The principal terms of the GC Master Agreement are as follows:

- Date: 19 February 2025
- Parties: (i) the Company (as seller); and
(ii) AEON Credit (as purchaser)

LETTER FROM THE BOARD

Nature of Transactions:	AEON Credit may from time to time place purchase orders with the Company for the AEON Stores Gift Certificates. Upon acceptance of the order and receipt of payment, the Company will issue the AEON Stores Gift Certificates in such quantity corresponding to the amount of payment received from AEON Credit. Upon collection by AEON Credit, the AEON Stores Gift Certificates shall be non-returnable, non-refundable and non-exchangeable for cash.
Pricing:	The AEON Stores Gift Certificates shall be sold by the Company to AEON Credit at face value less the applicable tier discount rate, ranging from 2% to 5%, and in accordance with the annual accumulated purchase amount in each contract year, being each period of 12 months commencing either on the Effective Date or subsequent anniversary thereof. The tier discount rate has been determined after arm's length negotiations with AEON Credit, after taking into account the Company's similar arrangements and agreements (in particular the tier discount rate thereunder) in providing the AEON Stores Gift Certificates to the Company's other business partners who are also offering the AEON Stores Gift Certificates to their customers for redemption with an aim to increase the attractiveness of the AEON Stores Gift Certificates and to provide incentive for AEON Credit to enhance the redemption of the AEON Stores Gift Certificates by its customers and cardholders.
Non-exclusivity:	The Company or AEON Credit shall not be prohibited or restricted from selling, purchasing, giving or receiving the AEON Stores Gift Certificates to or from any third party during the term of the GC Master Agreement or after its termination.
Duration:	Subject to the fulfilment of the Condition Precedents, the term of the GC Master Agreement shall be a period of three years commencing on the Effective Date, i.e. from 1 March 2025 to 29 February 2028. The parties to the GC Master Agreement may, subject to compliance with the Listing Rules, renew the GC Master Agreement. If the Condition Precedents have not been fulfilled as certified by the respective party, the GC Master Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach.

LETTER FROM THE BOARD

Effective Date:	1 March 2025 whereas sale of the AEON Stores Gift Certificates will only be made after fulfillment of the Condition Precedent.
Termination:	Either party may terminate the GC Master Agreement by giving not less than ninety (90) days' prior written notice to the other party.

The transaction amount and annual cap

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

Financial Year/Period	Annual cap <i>HK\$ million</i>
1 March to 31 December 2025	22.0
1 January to 31 December 2026	31.0
1 January to 31 December 2027	34.0
1 January to 29 February 2028	6.0

In arriving at the above annual caps, the Directors have taken into account (i) the newly adopted tier discount rates in the GC Master Agreement (while the AEON Stores Gift Certificates were sold to AEON Credit at its face value without discount pursuant to the Previous GC Master Agreement) enabling AEON Credit to offer more attractive and wider variety of redemption terms for its customers and cardholders to redeem the AEON Stores Gift Certificates and (ii) AEON Credit's proposed annual caps regarding its purchases of AEON Stores Gift Certificates in the next three years. Since AEON Credit, being the purchaser, is in a better position than the Company in assessing its needs of the AEON Stores Gift Certificates, AEON Credit's proposed annual caps are thus regarded as its estimated maximum purchase amounts for the period from 1 March 2025 to 29 February 2028. Adjustments and buffer have been made to cater for the difference in financial year of the Company and AEON Credit. The Directors placed less weight on the historical transaction amounts under the Previous GC Master Agreement, which might have been affected by factors like pandemic, but could be served as a general reference as to the minimum level of purchases in the next three years. Since the purchase of the AEON Stores Gift Certificates is initiated, and controlled, by AEON Credit and with the adoption of the tier discount rates, more weight should be given to AEON Credit's proposed annual caps in arriving at the Company's annual caps for the GC Master Agreement.

LETTER FROM THE BOARD

Historical transaction amount paid to the Company under the Previous GC Master Agreement:

Financial Year/Period	Annual Cap under Previous GC Master Agreement (HK\$ million)	Actual transaction amount (HK\$ million)
1 March 2022 – 31 December 2022	13.8	10.8
1 January 2023 – 31 December 2023	16.5	13.7
1 January 2024 – 31 December 2024	16.5	10.9

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

The Master Services Agreement

The Group currently operates general merchandise stores and a shopping mall in Hong Kong and Guangdong Province of the PRC and require to procure the Services in its ordinary and usual course of business. The Group selects providers for the Services with reference to prevailing market conditions and where appropriate, based on a procurement process conducted at arm's length basis, and make their selection based on normal commercial considerations.

Pursuant to the Previous Master Services Agreement, the Group has procured such services from members of the AEON Delight Group. The Previous Master Services Agreement expired on 31 December 2024. The Directors consider that the continued engagement of members of the AEON Delight Group to provide the Services in the ordinary and usual course of business, subject to members of the AEON Delight Group being selected under the Group's procurement process as described above, would allow the Group to import leading service knowhow from the AEON Delight Group, improve the Group's service quality to customers, enhance customer satisfaction when shopping at the Group's stores, reduce the Group's efforts in service alignment and enhance the Group's costs control and service level upgrading. The Directors are of the view that the entering into of the Master Services Agreement would continue to ensure certainty in the entering into of any future transactions with the AEON Delight Group for the provision of Services and also reduce the compliance procedures for each such future transactions.

The terms of the Master Services Agreement have been agreed after arm's length negotiations between the Company and AEON Delight. 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 Master Services Agreement and the transactions

LETTER FROM THE BOARD

contemplated thereunder are on normal commercial terms; (ii) the terms of the Master Services 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 Master Services Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Group's business.

The GC Master Agreement

The Company believes that the entering into of the GC Master Agreement for the sale of the AEON Stores Gift Certificates will help advertise and promote the brand and business of the Group, achieve more sales by reaching more customers and hence increase revenue of the Group. The provision of discount to AEON Credit may increase the attractiveness of AEON Stores Gift Certificates and the incentive for AEON Credit to enhance the redemption of the AEON Stores Gift Certificates by its customers and cardholders.

The terms of the GC Master Agreement have been reached after arm's length negotiations between the Company and AEON Credit. 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) entering into of the GC Master Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the GC Master 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 GC Master Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

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.

LETTER FROM THE BOARD

INFORMATION ABOUT THE PARTIES

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

AEON Co, the controlling shareholder of the Company, 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.

AEON Delight is principally engaged in business management and has been granted the rights to manage the business operations of its related and affiliated corporations in the PRC. Members of the AEON Delight Group is principally engaged in the comprehensive facility management services, including a wide range of facilities management, maintenance, consulting, cleaning, security, and material/supplies sourcing services. It is a subsidiary of AEON Co.

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.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, each of AEON Delight and AEON Credit is a connected person of the Company by virtue of AEON Co being the controlling shareholder of the Company and each of AEON Delight 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.

It is expected that the accumulated transaction amount under the Master Services Agreement for the period from 1 January 2025 to the date of the EGM will be less than HK\$10 million, falling within the requirements under R14A.76(2)(b) of the Listing Rules.

As the highest of the applicable percentage ratios in respect of each of the annual caps under the Master Service Agreement and the GC Master Agreement respectively 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.

LETTER FROM THE BOARD

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 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 21 to 33 of this circular, which contains its advice 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 Delight and AEON Credit'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 resolution 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.

LETTER FROM THE BOARD

Mr. Toshiya Goto, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Kenji Fujita, Mr. Yasutoshi Yokochi 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. 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 resolution 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 Thursday, 13 March 2025 at 5:30 p.m. is set out on pages 39 to 41 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 Investor Services Limited, 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 Monday, 10 March 2025 to Thursday, 13 March 2025, 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 Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Friday, 7 March 2025.

LETTER FROM THE BOARD

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 resolution 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)

25 February 2025

To: the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO OF THE MASTER SERVICES AGREEMENT AND
THE GC MASTER AGREEMENT**

We refer to the circular of the Company dated 25 February 2025 (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 5 to 18 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 33 of the Circular which contains its opinion in respect of the transactions contemplated under the CCT Agreements.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

25 February 2025

*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 MASTER SERVICES AGREEMENT AND THE GC MASTER 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 AEON Delight and AEON Credit (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 25 February 2025 (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 each of AEON Delight 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest of the applicable percentage ratios in respect of each of the annual caps under the Master Services Agreement and the GC Master 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 Delight and 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 Delight 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 August 2023, 6 December 2023 and 16 July 2024 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 Delight 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**").

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 interim report of the Company for the six months ended 30 June 2024 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 transactions contemplated under the CCT Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, which mainly consists of the Company and two of its principal subsidiaries, Guangdong AEON Teem Stores Company, Limited (“**GDA**”) and AEON South China Company Limited (“**ASC**”), is principally engaged in the operation of retail stores in Hong Kong and the PRC.

2. Information on the Counterparties

AEON Delight

AEON Delight is principally engaged in business management and has been granted the rights to manage the business operations of its related and affiliated corporations in the PRC. Members of the AEON Delight Group is principally engaged in the comprehensive facility management services, including a wide range of facilities management, maintenance, consulting, cleaning, security, and material/supplies sourcing services. It is a subsidiary of AEON Co.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

(I) Master Services Agreement

The Group is principally engaged in the operation of retail stores in Hong Kong and the PRC and requires to procure Services from relevant service providers to support the daily operation of its stores. The AEON Delight Group, being one of the Group's service providers, has been providing Services to the Group for over a decade.

As stated in the letter from the Board, the Directors consider that the continued engagement of members of the AEON Delight Group to provide the Services, subject to members of the AEON Delight Group being selected under the Group's procurement process, would allow the Group to import leading service knowhow from the AEON Delight Group, improve the Group's service quality to customers, enhance customer satisfaction when shopping at the Group's stores, reduce the Group's efforts in service alignment and enhance the Group's costs control and service level upgrading. As such, the Group intends to continue procuring Services from the AEON Delight Group and renew the transactions under the Previous Master Services Agreement by entering into of the Master Services Agreement with AEON Delight.

Based on the above, we concur with the Directors' view that the entering into of the Master Services Agreement is in the ordinary and usual course of business of the Group.

(II) GC Master Agreement

AEON Credit may from time to time place purchase orders with the Company for the AEON Stores Gift Certificates for the purpose of its customers' redemption of bonus points. The Company believes that the entering into of the GC Master Agreement for the sale of the AEON Stores Gift Certificates will help advertise and promote the brand and business of the Group, achieve more sales by reaching more customers and hence increase revenue of the Group. The provision of discount to AEON Credit may increase the attractiveness of AEON Stores Gift Certificates and the incentive for AEON Credit to enhance the redemption of the AEON Stores Gift Certificates by its customers and cardholders.

We have discussed with the Management and are advised that the Company also cooperates with other business partners such as other banks, shopping mall operator and airline companies. On this basis, we concur with the Directors' view that the entering into of the GC Master Agreement is in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal Terms of the CCT Agreements

(I) Master Services Agreement

Pursuant to the Master Services Agreement, subject to the fulfilment of the Condition Precedents, the term of the Master Services Agreement shall be for a period of three years commencing on 1 January 2025 and expiring on 31 December 2027. Furthermore, where a member of the AEON Delight Group is selected through relevant procurement process to provide the Services, the Company and/or the relevant member of the Group and the relevant member of the AEON Delight Group may from time to time enter into separate contracts setting out the detailed terms under which the relevant member of the AEON Delight Group shall provide, or procure to provide, the Services to the Company and/or the relevant member of the Group. Such terms shall be on normal commercial terms, on an arm's length basis and are on terms no less favourable than which the Company and/or the relevant member of the Group procures the Services from independent third parties.

We have reviewed the Master Services Agreement and the Previous Master Services Agreement and noted that the terms of both agreements are the same, save for the effective periods and annual cap periods.

We have discussed with the Management in relation to the related procurement process and are advised that, the Group will decide item(s) of the Services required and the applicable requirements, e.g. the size and area of the premises to be serviced, the expected manpower, their positions and the respective tasks involved and the proposed budget. Bidders are invited to submit their fee quotations for the provision of Services. If the AEON Delight Group is invited, the Group will also ensure to invite quotations from at least two other independent third party suppliers. After the reverse auction process, the bidding results will be submitted to the Management for assessment and approval. The Management will then compare the quotation offered by the respective bidders and conduct an assessment, taking into account factors such as their background and reputation, any existing business relationship with such bidders, the relevant bidder's previous performance, the price, scope, quality of services offered by the bidders, and the technical skills required by the Services. Where the item of Services demands a higher level of technical skills, a pre-determined comprehensive assessment will apply whereby the different factors will be assigned different weight and each to be marked. For less demanding item of Services, the bidder with the lowest fee quotation wins the tender. The Management will decide which bidder to engage with. As such, the AEON Delight Group will only be selected as the supplier for the provision of Services based on the tender result(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the Group will procure four main types of services, namely, cleaning, maintenance, security and store interior design services from the AEON Delight Group. The Service fee payable for each store depends on the required Service(s), manpower (except for store interior design services which are on project basis), the size and the location of the store and once an agreement is entered into with the selected bidder, such fee will be charged at the same rate on a monthly basis (except for store interior design which is charged on project basis and subject to stage payments).

We have randomly selected and reviewed a total of six tender assessment records (2023: 2 and 2024: 4) for the provision of cleaning, maintenance, security and store interior design services in 2023-2025, under which the AEON Delight Group was the winning bidder. Such records, which are randomly selected, are considered to be fair and representative samples. We have also reviewed the corresponding agreements entered into with the AEON Delight Group after the AEON Delight Group was selected as the service provider according to the tender results. Based on the given tender assessment records, we noted that (i) when the service providers are invited to offer their quotations, the Group will set out the item(s) of the Services required and, where applicable, the size and area of the premises to be serviced, the expected manpower, their positions and the respective tasks involved; (ii) there were at least two independent third party bidders participated in each tender; (iii) the Management compared the quotations provided by the bidders against one another and the service fee paid by the Group in previous year, if needed; and (iv) the AEON Delight Group provided the lowest quotation(s) in each tender, but no pre-determined comprehensive assessments were conducted in 2022-2024 since the Services provided were considered less demanding, as advised by the Management. Therefore, no such assessment record is available for our review. We further noted that the aggregate service fee for the relevant store(s) stated in the tender assessment records is the same as that of the relevant store(s) stated under the corresponding agreement.

On the basis that (i) the AEON Delight Group was/will only be selected for the provision of Services according to the tender results, where at least two other independent third party suppliers were/will be invited to provide their quotation for comparison; (ii) the AEON Delight Group only won the tenders with the lowest fee quotations based on the tender assessment records that we have reviewed; and (iii) the aggregate service fee of the relevant store(s) stated in the corresponding agreement entered with the AEON Delight Group is the same as that stated in the tender assessment record, we consider that the Group's internal control has been effectively implemented and hence the terms of the Master Services Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) GC Master Agreement

Pursuant to the GC Master Agreement, AEON Credit may from time to time place purchase orders with the Company for the AEON Stores Gift Certificates. Upon acceptance of the order and receipt of payment, the Company will issue the AEON Stores Gift Certificates in such quantity corresponding to the amount of payment received from AEON Credit. Upon collection by AEON Credit, the AEON Stores Gift Certificates shall be non-returnable, non-refundable and non-exchangeable for cash. Subject to the fulfilment of the Condition Precedents, the term of the GC Master Agreement shall be for a period of three years commencing on the Effective Date.

The AEON Stores Gift Certificates shall be sold by the Company to AEON Credit at face value less the applicable tier discount rates, ranging from 2% to 5% and in accordance with the annual accumulated purchase amount. We have reviewed the GC Master Agreement and the Previous GC Master Agreement and noted that, save for the purchase price, the effective period and the condition precedent which requires obtaining of the approval of independent shareholders and complying with all applicable requirements under the Listing Rules, the terms of both agreements are the same. In the Previous GC Master Agreement, AEON Credit agreed to purchase AEON Stores Gift Certificates at their face value. Nevertheless, the applicable tier discount rates have been adopted in the GC Master Agreement with an aim to enhance the attractiveness of the AEON Stores Gift Certificates with higher discount rates for higher purchase amounts within a year.

We have discussed with the Management in relation to the GC Master Agreement and are advised that the Company also offers AEON Stores Gift Certificates to independent business partners such as a commercial bank, shopping malls operators and an airline company at tier discount rates and different discount rate structures will be offered to different type of business partners. We have reviewed a total of nine purchase orders/sales invoices/agreements of the transactions (2023: 3 and 2024: 6) with such business partners (commercial bank: 1; shopping mall operators: 2; airline: 1). Such transaction documents, which are randomly selected, are considered to be fair and representative samples. We noted that the tier structure of discount rates under the GC Master Agreement is the same as that agreed between the Company and an independent commercial bank. The tier discount rates agreed with AEON Credit are within the range of those agreed with other business partners (i.e. shopping malls operators and the airline). As advised by the Management, the Group adopted tiered pricing strategy among its business partners with an aim to encourage larger purchase while balancing the costs. Given AEON Credit and such independent commercial bank are engaged in, amongst others, credit card business, the Group offered the same tier discount rates for their purchase of AEON Stores Gift Certificates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) offering AEON Stores Gift Certificates helps promote the brand and business of the Group; and (ii) tier discount rate structure offered to AEON Credit is the same as that with an independent commercial bank and is within the range of other independent business partners, we consider that the terms of the GC Master Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. The Annual Caps

(I) Master Services Agreement

We have reviewed and discussed with the Management their projection for the service fee payable to the AEON Delight Group for determining the annual caps for the transactions contemplated under the Master Services Agreement (the “**Master Services Annual Caps**”) for the period from 1 January 2025 to 31 December 2027. A summary of the Group’s projections prepared by the Management is set out below:

<i>(RMB million)</i>	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
	Actual amount			Estimated amount		
Service fee paid/payable to the AEON Delight Group by						
– GDA	20.4	25.4	27.6	33.5	35.5	40.1
– ASC	9.0	10.8	9.5	13.1	12.7	13.0
– The Company	–	–	2.6	31.3	51.1	51.7
Sub-total	29.4	36.1	39.7	77.9	99.3	104.7
Buffer of 10%	NA	NA	NA	7.8	9.9	10.5
Existing/proposed annual caps	40.5	49.5	54.7	85.7	109.2	115.2
Utilisation rate	72.5%	73.0%	72.5%	NA	NA	NA

Note: The figures are subject to rounding.

We have reviewed the Group’s projection for FY2025-FY2027 and discussed with the Management and are advised that AEON Delight Group is not only providing the Group’s PRC stores with the Services but also its Hong Kong stores commencing from 2024. Based on the Group’s projection for FY2025-FY2027, it is noted that (i) the Group plans to invite the AEON Delight Group to tender for the provision of Services to all of its stores in Hong Kong and the PRC; and (ii) the projection is prepared based on the Group’s operating entities, namely GDA, ASC and the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GDA

As shown in the above, the service fee paid/payable by the Group to the AEON Delight Group amounted to RMB25.4 million in FY2023, representing a year-on-year increase of 24.6% and increased to RMB27.6 million in FY2024, representing a year-on-year increase of 8.8%. We have discussed with the Management and are advised that (i) the increase in FY2023 was mainly attributable to a substantial increase in provision of security services by AEON Delight which was awarded additional contracts with respect to GDA's two general merchandise stores; and (ii) the increase in FY2024 was attributable to three additional cleaning contracts and three additional fitting out contracts granted to AEON Delight Group, after the opening of new stores and having switched from independent service providers to AEON Delight based on tender results during the year.

In the projection for FY2025-FY2027, the service fee payable by the Group is projected to be RMB33.5 million in FY2025, RMB35.5 million in FY2026 and RMB40.1 million in FY2027, representing year-on-year increases of 21.7%, 5.8% and 12.8%, respectively. We have discussed with the Management and are advised that (i) the Group's development plan is to increase the number of stores in the PRC from 10 in FY2024 to 18 in FY2027; and (ii) the increase for FY2025 has been referenced to the growth rate of service fee paid/payable in 2022-2024 of 8.8-24.6%. In the projection, the increases in the service fee payable are mainly attributable to the increases in provision of cleaning and maintenance and security services by the AEON Delight Group, which reflect the corresponding increase in demand from the Group based on its expansion plan.

ASC

As shown in the above, the service fee paid/payable by the Group to the AEON Delight Group amounted to RMB10.8 million in FY2023, representing a year-on-year increase of 19.6% and decreased to RMB9.5 million in FY2024, representing a year-on-year decrease of 12.2%. We have discussed with the Management and are advised that (i) the increase in FY2023 was mainly attributable to an increase of provision of maintenance and security services by AEON Delight Group which was awarded 4 additional contracts from ASC, partially offset by closure of 1 store and price decreases in cleaning service contracts entered with AEON Delight Group almost across all the stores; and (ii) the decrease in FY2024 was attributable to the full year effect after the closure of 1 store at the end of 2023 and 1 store in the first quarter of 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the projection for FY2025-FY2027, the service fee payable by the Group is projected to be RMB13.1 million in FY2025, RMB12.7 million in FY2026 and RMB13.0 million in FY2027, representing year-on-year increase of 38.0%, decrease of 2.6% and increase of 2.0%, respectively. We have discussed with the Management and are advised that (i) the Group plans to further streamline ASC's operation by closure of 1 store in FY2025 and thereafter the number of stores will be the same; and (ii) the AEON Delight Group is the existing service provider with respect to cleaning, maintenance and security for all stores except for the security services of 2 stores currently provided by independent third parties; (iii) the AEON Delight Group is expected to be awarded 2 additional security contracts for such 2 stores (as mentioned in (ii)) in FY2025; (iv) the decrease for FY2026 is mainly due to the full year effect of the closure 1 store (as mentioned in (i)); and (v) the slight increase for FY2027 is the general upward price adjustment of 2% which has been applied throughout FY2025-FY2027 in the projection.

The Company

As shown in the above, no service fee paid by the Group to the AEON Delight Group in FY2022 and FY2023 but RMB2.6 million in FY2024. We have discussed with the Management and are advised that (i) the AEON Delight Group commenced to provide the Company with cleaning services for two of the Group's stores in Hong Kong in FY2024 after tender procedure; (ii) the AEON Delight Group might be able to win other cleaning and security contracts when the existing ones are due; and (iii) the cleaning and service contracts are for a term of 1-1.5 year. We have reviewed the projection for FY2025-FY2027 and noted that (i) the projection is based on the assumption that the AEON Delight Group will win the cleaning and security contracts when the existing ones are due; and (ii) the price is based on the existing contract sums without any adjustment. We have reviewed the tender results with respect to cleaning services for which the AEON Delight Group was the successful bidder and noted that the AEON Delight Group offered the most competitive pricing as compared to 3 other independent bidders. On this basis, the projection, in our view, is not unreasonable.

Given the Master Services Annual Caps are determined based on (i) the estimated service fee payable to the AEON Delight Group which has been projected based on the Group's business plans and the assumption that (a) the current contracts with the AEON Delight Group will be renewed upon expiries; and (b) the AEON Delight Group will win the tender(s) and enter into contract(s) with the Group for the provision of cleaning and maintenance and security services to the Group's stores; (ii) the annual increase of service fee payables, where applicable, is referenced to the year-on-year growth rate of the monthly CPI (for miscellaneous goods and services) in the PRC from 2.7% to 5.2% in 2024 as quoted from National Bureau of Statistics of

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China; and (iii) a buffer of 10%, we are of the view that the bases in arriving at the Master Services Annual Caps are reasonable so far as the Company and the Independent Shareholders are concerned.

(II) GC Master Agreement

We have reviewed and discussed with the Management their projection for the purchase amount receivable from AEON Credit for determining the annual caps for the transactions contemplated under the GC Master Agreement (the “**Gift Certificate Annual Caps**”) for the period from 1 March 2025 to 29 February 2028. A summary of the Group’s projections prepared by the Management is set out below:

<i>(HK\$’million)</i>	FY2022 ⁽¹⁾	FY2023	FY2024	FY2025 ⁽²⁾	FY2026	FY2027	FY2028 ⁽³⁾
	Actual Amount			Estimated Amount			
Actual/Projected sales	10.8	13.7	10.9	19.2	27.6	30.7	5.2
Buffer of 10%	NA	NA	NA	1.9	2.8	3.1	0.5
Existing/proposed annual caps⁽³⁾	13.8	16.5	16.5	22.0	31.0	34.0	6.0
Utilisation rate	77.9%	83.0%	66.1%	NA	NA	NA	NA

Notes:

- (1) It refers to the period from 1 March 2022 to 31 December 2022.
- (2) It refers to the period from 1 March 2025 to 31 December 2025.
- (3) It refers to the period from 1 January 2028 to 29 February 2028.
- (4) Proposed annual caps for FY2025-FY2028, which are the sum of the projected sales and buffers, have been rounded up to the nearest HK\$’million.

We are advised by the Management that the Gift Certificate Annual Caps as set out in the table above are based on (i) the newly adopted tier discount rates in the GC Master Agreement; (ii) the proposed annual caps regarding AEON Stores Gift Certificates in the next three years as announced by AEON Credit, which is their estimated purchase demand; and (iii) an applicable buffer.

We have reviewed the relevant annual caps as announced by AEON Credit for the period from 1 March 2025 to 29 February 2028, which has been determined with reference to the tier discount rates, and the projection prepared by the Management and noted that the 12-month period of the annual caps of the Company (January-December) and AEON Credit (March-February) are different. The Management basically projected the sales for March to December of 2025, full year of 2026, full year of 2027 and January to February 2028 by using the simple monthly average of AEON Credit annual caps. We have discussed with the Management and are advised that using the simple monthly average of AEON Credit’s

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual caps could not capture the possible sales fluctuations which is beyond the Group's control. For instance, AEON Credit's actual purchase of AEON Stores Gift Certificates as estimated by it could be made in March to December 2025 and none in January to February 2026, which would exceed the Gift Certificate Annual Cap in 2025 if it is compiled simply by monthly average of AEON Credit's annual caps. The same situation would possibly happen if AEON Credit purchases substantially more AEON Stores Gift Certificates in January and February than any other months of the previous year, which might result in the Gift Certificate Annual Caps in the latter year insufficient. On this basis, a buffer of 10%, representing 1.2 times simple monthly average of AEON Credit annual caps, is built in to accommodate any such fluctuations due to the non-coterminous of the annual cap periods of the Company and AEON Credit.

Given the Gift Certificate Annual Caps are determined based on (i) the relevant annual caps of AEON Credit for the period from 1 March 2025 to 29 February 2028, which is the purchase demand after considering the tier discount rates as estimated by AEON Credit; and (ii) a buffer of 10% to cater for the possible fluctuations in sales and the non-coterminous of the annual cap periods of the Company and AEON Credit, we are of the view that the bases in arriving at the Gift Certificate 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 with the terms therein.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 INTEREST IN SECURITIES**(A) Directors' and chief executive's interests**

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

(a) The Company

Name of 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	Approximate percentage of interests
TOSHIYA Goto	6,300	0.00072%
HISANAGA Shinya	2,130	0.00024%
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 Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, none of the shareholders (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of substantial shareholder	Long positions Number of ordinary shares held	Approximate percentage of the total number of issued shares
AEON Co	157,536,000 <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 294,888,000 shares representing 70.42% 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.

	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
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

Reference is made to the Company's interim report for the six months ended 30 June 2024 published on 25 September 2024 and the profit warning announcement dated 28 January 2025. Save for the factors and challenges including outbound travel, cautious consumer sentiment, changes in consumption patterns of tourist and resident in Hong Kong, slow recovery in 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:

Name	Qualification
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, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.
- (3) The share registrar of the Company is Tricor Investor Services 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) and the Company (www.aeonstores.com.hk) for a period of 14 days from the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



AEON STORES (HONG KONG) CO., LIMITED

永旺(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders of AEON Stores (Hong Kong) 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 Thursday, 13 March 2025 at 5:30 p.m. (the “**EGM**”), to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the circular to shareholders of the Company dated 25 February 2025.

ORDINARY RESOLUTIONS

Ordinary Resolution no. 1

1. “**THAT:**
 - (a) the Master Services 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 caps 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 Master Services Agreement and the transactions contemplated thereunder and the annual caps 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 Master Services Agreement and/or the transactions contemplated thereunder and/or the annual cap for the transactions contemplated

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.”

Ordinary Resolution no. 2

2. “**THAT:**

- (a) the GC Master 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 caps 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 GC Master Agreement and the transactions contemplated thereunder and the annual caps 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 GC Master Agreement and/or the transactions contemplated thereunder and/or the annual caps 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, 25 February 2025

Registered office:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Investor Services 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 Monday, 10 March 2025 to Thursday, 13 March 2025, 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 Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Friday, 7 March 2025.
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 and the Stock Exchange's website at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled EGM.

The EGM will be held on Thursday, 13 March 2025 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.