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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)

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER PURCHASE AGREEMENTS**

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



A letter from the Board is set out on pages 4 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 Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM of AEON Stores (Hong Kong) Co., Limited to be held at President Suite, World Trade Centre Club Hong Kong, 38/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 21 June 2016 at 10:00 a.m. is set out on pages 41 to 43 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, 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 you from subsequently attending and voting at the EGM or any adjourned meeting if you so wish.

4 June 2016

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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 (Stock Code: 8267), beneficially owned approximately 71.64% of the issued share capital of the Company as at the Latest Practicable Date
“AEON GD”	廣東永旺天河城商業有限公司 (Guangdong AEON Teem Stores Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“Aggregate Annual Caps”	the maximum aggregate annual amount payable by the Company pursuant to the Master Purchase Agreements for each of the three years ending 31 December 2018
“ASC”	永旺華南商業有限公司 (AEON South China Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“COX”	芙嘉(上海)商貿有限公司, a company incorporated in the PRC and a subsidiary of AEON Co
“COX Master Purchase Agreement”	the master purchase agreement entered into between the Company and COX on 5 May 2016
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at President Suite, World Trade Centre Club Hong Kong, 38/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 21 June 2016 at 10:00 a.m., or any adjournment thereof, the notice of which is set out on pages 41 to 43 of this circular
“G Foot”	新腳步(北京)商貿有限公司, a company incorporated in the PRC and a subsidiary of AEON Co
“G Foot Master Purchase Agreement”	the master purchase agreement entered into between the Company and G Foot on 5 May 2016
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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 Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation 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 Master Purchase Agreements and the Aggregate Annual Caps
“Independent Shareholders”	Shareholders other than AEON Co and its associates
“Latest Practicable Date”	31 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreements”	the TopV Master Purchase Agreement, the COX Master Purchase Agreement and the G Foot Master Purchase Agreement, each a “Master Purchase Agreement”
“Merchandise Providers”	TopV China, TopV Hong Kong, COX and G Foot, each a subsidiary of AEON Co

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“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser(s)”	the Company and any of its subsidiaries, each a “Purchaser”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	registered holders of the Shares from time to time
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TopV China”	AEON Topvalu China Co., Ltd, a company established in the PRC and a subsidiary of AEON Co
“TopV Group”	TopV China and TopV HK
“TopV HK”	AEON Topvalu (Hong Kong) Co., Ltd, a company incorporated in Hong Kong and a subsidiary of AEON Co
“TopV Master Purchase Agreement”	the master purchase agreement entered into between the Company, TopV HK and TopV China on 31 March 2016



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:

CHAN Pui Man Christine (*Managing Director*)
Yoshiaki MIZUSHIMA (*Deputy Managing Director*)
Hideaki YAJIMA (*Deputy Managing Director*)
CHAK Kam Yuen

Registered office:

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

Non-executive Directors:

Yuki HABU (*Chairman*)
Shinya WAKO

*Head Office and Principal Place
of Business:*

7/F., D2 Place One
9 Cheung Yee Street
Lai Chi Kok, Kowloon

Independent non-executive Directors:

CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty
CHOW Chi Tong

4 June 2016

To: the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER PURCHASE AGREEMENTS**

INTRODUCTION

Reference is made to the announcements of the Company dated 31 March 2016 and 5 May 2016 in relation to, among other things, the continuing connected transactions under the TopV Master Purchase Agreement, COX Master Purchase Agreement and G Foot Master Purchase Agreement.

The purpose of this circular is to provide you with (i) further information on the details of the Master Purchase Agreements and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent

LETTER FROM THE BOARD

Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

The Board wishes to **DRAW YOUR ATTENTION** to the fact that the merchandise transactions under the Master Purchase Agreements, including in particular the TopV Master Purchase Agreement, are transactions hugely important to the business growth and performance of the Group.

By way of background, “TopValu” is a renowned private brand of the “AEON” group established in 2000, which comprises a wide range of quality products sold worldwide at stores of members of the “AEON” group. The TopV Group is currently one of the Group’s most prevalent brands at the stores and its “TopValu” products have been sold at the Group’s stores for 16 years. The Company believes that the “TopValu” products, as a unique brand of the “AEON” Group, have been developed as customer oriented products to meet varying customer priorities and needs, including lifestyle, value, quality, functionality, safety, health, convenience, price and sustainability. These “TopValu” products have contributed positively to the Group’s brand image and are regarded as critical to developing and enhancing the Group’s customer loyalty.

In recent years, competition in the supermarket and retail industry in Hong Kong and the PRC has become increasingly intense, particularly in terms of pricing and the range of products offered. One of the most important strategies of the Group is brand building, maintaining customer loyalty and retaining more customers. The Company is of the view that the Group’s brand image and sourcing of “TopValu” products help differentiate the Group from its competitors and expects further support from its customers for, and growth in sales of the “TopValu” products in the coming years. As such, in order to maintaining a long term and stable relationship with the Merchandise Providers, including the Top V Group, the Company has entered into the Master Purchase Agreements.

The Company views the Master Purchase Agreements as highly important and strategic for the long term growth and success of the Group. Should the Company fail to obtain Independent Shareholders’ approval in respect of the transactions conducted under the Master Purchase Agreements and in compliance with the Listing Rules requirements, the Company would have no choice but to discontinue its existing transactions with the Merchandise Providers immediately. The Board considers that this will be highly damaging to the Group’s competitive edge gained through product differentiation, and hence the business, reputation and prospects of the Group.

The Board would like to draw your attention to the letter of recommendation from the Independent Board Committee to the Independent Shareholders and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 19 to 36 of this circular. Both the Independent Financial Adviser and the Independent Board Committee are of the view that the transactions contemplated under the Master Purchase Agreements are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable

LETTER FROM THE BOARD

so far as the Independent Shareholders are concerned. Accordingly, they have recommended that the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER PURCHASE AGREEMENTS

(1) Principal Terms of the TopV Master Purchase Agreement

Date

31 March 2016

Parties

- (i) the Company;
- (ii) TopV HK; and
- (iii) TopV China.

Nature of transactions

The Purchasers (i.e. the Company and any of its subsidiaries) will purchase a variety of merchandise from the TopV Group, including but not limited to AEON Co's "Topvalu" products, an in-house brand developed by AEON Co, and other branded products sourced by the TopV Group. Such merchandise covers a wide range of categories, such as fashion, food and household, and would then be sold to retail customers by the Group at its general merchandise stores and supermarket stores.

Pricing

The sale and purchase of merchandise between the parties will be charged on a cost-plus basis, representing all costs incurred in relation to the supply of the merchandise, including direct costs such as merchandise costs, freight costs, operational costs and other indirect or common costs allocated on a revenue or other equitable basis, plus a mark-up rate of not more than 15% of such costs (before rebate). Such mark-up rate has been determined on an arms' length basis, with reference to, among others, the mark-up rates for historical transactions with the TopV Group. The actual mark-up rate will vary across all merchandise purchased. Subject to compliance with the Listing Rules, the parties may review and amend such mark-up rate on an annual basis by mutual consent.

The prices offered by the TopV Group shall be no less favourable than (i) prices available in the market for similar merchandise; and (ii) prices offered by the TopV Group to their other purchaser(s), if any, save and except certain variance arising out of differences in relative location and actual freight costs applicable to a purchasing party.

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Based on the information currently available to the Group, there is an overall positive profit margin for the Group's sale of merchandise purchased from the TopV Group for 2015.

Rebates

The TopV Group may, taking into account factors such as purchase volume, promotions from manufacturers, its budget, results and profits, grant rebates to the Purchaser(s) (as agreed mutually between the relevant parties) from time to time. The rebates may take various forms, such as fixed rebates based on the total amount of purchases per year or incentive rebates if specific targets are met.

Purchase Contracts

The Purchaser(s) shall enter into specific purchase contracts with TopV HK and/or TopV China, which adopt the terms and conditions set out in the TopV Master Purchase Agreement and the standard terms and conditions of the relevant Purchaser prevailing at the time of execution of such purchase contract. The purchase contracts will set out detailed terms (e.g. the payment terms) of the sale and purchase of merchandise.

Further Assistance

For the purposes of facilitating the Group's sourcing of merchandise, which would enable the Group to efficiently provide its general merchandise stores and supermarket stores with required types and amounts of merchandise and maintain the competitiveness of its business, the Purchasers and the TopV Group shall, as may be practicable in the circumstances, share with each other (on a strictly need-to-know basis) information relating to the purchasing, selling, stocking, pricing and specifications of each other's merchandise. The TopV Group shall, upon request by members of the Group and within a reasonable period of time, further provide such market information and data as may be required. Both the Company and the TopV Group have undertaken to keep all such information and data received or exchanged confidential.

In addition, the Purchasers shall have the right to audit, cross-check and verify the books, records, financial practice, business and operational flow and practice, electronic/computer system(s) of the TopV Group.

Term

The term of the TopV Master Purchase Agreement shall be a period of 3 years ending 31 December 2018, provided that the parties to the TopV Master Purchase Agreement may, subject to compliance with the Listing Rules, renew the TopV Master Purchase Agreement. The TopV Master Purchase Agreement shall take effect as of 1 January 2016.

LETTER FROM THE BOARD

Termination

The TopV Master Purchase Agreement may be terminated by 3 month's prior written notice by either party. On termination, each purchase contract then in force shall nevertheless continue in full force and effect for the remainder of the term of such purchase contract, unless terminated in accordance with the terms of such purchase contract.

(2) Principal Terms of the COX Master Purchase Agreement

The terms of the COX Master Purchase Agreement are substantially the same as those of the TopV Master Purchase Agreement.

Date

5 May 2016

Parties

- (i) the Company; and
- (ii) COX.

Nature of Transactions

The Purchasers (i.e. the Company and any of its subsidiaries) will purchase a variety of fashion and household merchandise from COX, which would then be sold to retail customers by the Group at its general merchandise stores and supermarket stores.

Pricing

The sale and purchase of merchandise between the parties will be charged on a cost-plus basis, representing all costs incurred in relation to the supply of the merchandise, including direct costs such as merchandise costs, freight costs, operational costs and other indirect or common costs allocated on a revenue or other equitable basis, plus a mark-up rate of not more than 15% of such costs (before rebate). Such mark-up rate has been determined on an arms' length basis, with reference to, among others, the mark-up rates for historical transactions with COX. The actual mark-up rate will vary across all merchandise purchased. Subject to compliance with the Listing Rules, the parties may review and amend such mark-up rate on an annual basis by mutual consent.

The prices offered by COX shall be no less favourable than (i) prices available in the market for similar merchandise and (ii) prices offered by COX to its other purchaser(s), if any, save and except certain variance arising out of differences in relative location and actual freight costs applicable to a purchasing party.

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Based on the information currently available to the Group, there is an overall positive profit margin for the Group's sale of merchandise purchased from COX for 2015.

Rebates

COX may, taking into account factors such as purchase volume, promotions from manufacturers, its budget, results and profits, grant rebates to the Purchaser(s) (as agreed mutually between the relevant parties) from time to time. The rebates may take the form as fixed rebates based on the total amount of purchases per year.

Purchase Contracts

The Purchaser(s) shall enter into specific purchase contracts with COX, which adopt the terms and conditions set out in the COX Master Purchase Agreement and the standard terms and conditions of the relevant Purchaser prevailing at the time of execution of such purchase contract. The purchase contracts will set out detailed terms (e.g. the payment terms) of the sale and purchase of merchandise.

Further Assistance

For the purposes of facilitating the Group's sourcing of merchandise, which would enable the Group to efficiently provide its general merchandise stores and supermarket stores with required types and amounts of merchandise and maintain the competitiveness of its business, the Purchasers and COX shall, as may be practicable in the circumstances, share with each other (on a strictly need-to-know basis) information relating to the purchasing, selling, stocking, pricing and specifications of each other's merchandise. COX shall, upon request by members of the Group and within a reasonable period of time, further provide such market information and data as may be required. Both the Company and COX have undertaken to keep all such information and data received or exchanged confidential.

In addition, the Purchasers shall have the right to audit, cross-check and verify the books, records, financial practice, business and operational flow and practice, electronic/computer system(s) of COX.

Term

The term of the COX Master Purchase Agreement shall be a period of 3 years ending 31 December 2018, provided that the parties to the COX Master Purchase Agreement may, subject to compliance with the Listing Rules, renew the COX Master Purchase Agreement. The COX Master Purchase Agreement shall take effect as of 1 January 2016.

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Termination

The COX Master Purchase Agreement may be terminated by 3 month's prior written notice by either party. On termination, each purchase contract then in force shall nevertheless continue in full force and effect for the remainder of the term of such purchase contract, unless terminated in accordance with the terms of such purchase contract.

(3) Principal Terms of the G Foot Master Purchase Agreement

Date

5 May 2016

Parties

- (i) the Company; and
- (ii) G Foot.

Nature of Transactions

G Foot will provide a variety of shoes merchandise to the Purchasers for sale to retail customers on a consignment basis at general merchandise stores of the Group.

Pricing

The Purchaser(s) shall be entitled to a commission out of the proceeds from its sale of shoes merchandise provided by G Foot. The amount of such commission shall be determined on an arms' length basis, being no less than 10% to 16% of the sales proceeds and no less favourable than the commission rate offered by G Foot to its other consignee(s), if any. Such range of commission rate has been determined on an arm's length basis, with reference to, among others, the commission rate for historical transactions with G Foot, the location of a particular store, location of the consignment counter within each store, supply and demand of similar merchandise by other independent third party suppliers. Subject to compliance with the Listing Rules, the parties may review and amend such rate of commission by mutual consent.

Based on the information currently available to the Group, there is an overall positive profit margin for the Group's sale of merchandise purchased from G Foot on a consignment basis for 2015.

Rebates

G Foot may, taking into account factors such as purchase volume, promotions from manufacturers, its budget, results and profits, grant rebates to the Purchaser(s) (as agreed mutually between the relevant parties) from time to time. The rebates may take the form as fixed rebates based on the total amount of purchase per year.

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Purchase Contracts

The Purchaser(s) shall enter into specific purchase contracts with G Foot, which adopt the terms and conditions set out in the G Foot Master Purchase Agreement and the standard terms and conditions of the relevant Purchaser in relation to the procurement of merchandise for sale on a consignment basis prevailing at the time of execution of such purchase contract. The purchase contracts will set out detailed terms (e.g. the payment terms) of the consignment.

Further Assistance

For the purposes of facilitating the Group's sourcing of merchandise, which would enable the Group to efficiently provide its general merchandise stores and supermarket stores with required types and amounts of merchandise and maintain the competitiveness of its business, the Purchasers and G Foot shall, as may be practicable in the circumstances, share with each other (on a strictly need-to-know basis) information relating to the purchasing, selling, stocking, pricing and specifications of each other's merchandise. G Foot shall, upon request by members of the Group and within a reasonable period of time, further provide such market information and data as may be required. Both the Company and G Foot have undertaken to keep all such information and data received or exchanged confidential.

In addition, the Purchasers shall have the right to audit, cross-check and verify the books, records, financial practice, business and operational flow and practice, electronic/computer system(s) of G Foot.

Term

The term of the G Foot Master Purchase Agreement shall be a period of 3 years ending 31 December 2018, provided that the parties to the G Foot Master Purchase Agreement may, subject to compliance with the Listing Rules, renew the G Foot Master Purchase Agreement. The G Foot Master Purchase Agreement shall take effect as of 1 January 2016.

Termination

The G Foot Master Purchase Agreement may be terminated by 3 month's prior written notice by either party. On termination, each purchase contract then in force shall nevertheless continue in full force and effect for the remainder of the term of such purchase contract, unless terminated in accordance with the terms of such purchase contract.

ANNUAL CAPS

The historical amounts of the transactions between members of the Group and the Merchandise Providers for the 5 years ended 31 December 2015 were approximately HK\$175 million, HK\$252 million, HK\$278 million, HK\$260 million and HK\$294 million respectively, of which purchase transactions with the TopV Group accounted for

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approximately 98%, purchase transactions with COX accounted for approximately 1% and transactions with G Foot as represented by its corresponding consignment sales (net of commission received by the Group) accounted for approximately 1%.

Given the similarity in nature of the transactions under each Master Purchase Agreement, and that the Merchandise Providers are all subsidiaries of AEON Co, the annual caps for the continuing connected transactions under the TopV Master Purchase Agreement, COX Master Purchase Agreement and the G Foot Master Purchase Agreement have been aggregated in accordance with Rule 14A.81 of the Listing Rules.

Accordingly, the Aggregate Annual Caps for 3 years ending 31 December 2018 shall be as follows:

Period	Proposed annual cap (HK\$)
For the year ending 31 December 2016	402 million
For the year ending 31 December 2017	590 million
For the year ending 31 December 2018	815 million

For information, based on the management accounts of the Group, the purchases from the Merchandise Providers for the period from 1 January 2016 until the Latest Practicable Date amounted to approximately HK\$84.04 million, representing only approximately 20.91% of the proposed annual cap for the year ending 31 December 2016, which was partly due to the fact that the Group's purchase of merchandise is typically subject to seasonality. The Company expects that the amount of purchases from the Merchandise Providers will increase during the second half of 2016.

In arriving at the Aggregate Annual Caps, the Directors have taken into account various factors including the abovementioned historical transaction amounts between the Group and the Merchandise Suppliers and its computation basis (i.e. the purchase price paid by the Group for transactions with the TopV Group and COX and the amount of consignment sales with G Foot (net of commission received by the Group from G Foot under their commission arrangement)), historical growth in the retail business of the Group, expected business growth of the Group, possible further increase in purchases of the Group in light of the expected opening of new stores by the Group in the coming 3 years (depending on its business expansion plans, operational needs), and the fluctuation in foreign exchange rate(s).

More specifically, the purchase projection of the Group for the year ending 31 December 2016 was determined based on the actual purchase of merchandise for the year ended 31 December 2015 multiplied by: (i) approximately 33.3% for the Company and approximately 35.1% for AEON GD, being the highest year-on-year growth rate in respect of their respective purchases from the Merchandise Providers for the past five years; and (ii) approximately 29.2% for ASC, being the second highest year-on-year growth rate in respect of its purchases from the Merchandise Providers for the past five years (since the Company considers the highest year-on-year growth rate for ASC exceptional and not appropriate).

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The purchase projection for the years ending 31 December 2017 and 31 December 2018 has been computed based on each of the Company, AEON GD and ASC's respective total direct sales projection for 2017 and 2018 multiplied by a percentage (being the ratio of the projected purchases from the Merchandise Providers to the projected total direct sales of each of the Company, AEON GD and ASC respectively (each, the "**Projected Purchase Ratio**"). For information, the Projected Purchase Ratio for each of (i) the Company, (ii) AEON GD and (iii) ASC for the years ending 31 December 2017 and 31 December 2018 are approximately (i) 6.8% and 7.9% (ii) 1.3% and 1.4% (iii) 8.3% and 9.5%, respectively. The Company considers it fair and reasonable to use these growth rates to project the Aggregate Annual Caps in order to allow flexibility to the Group to ensure its smooth operations in the future.

As mentioned in the 2015 annual report of the Company, one of the objectives of the Group is to increase the contributions from the direct sales through further promoting, among other brands, its "TopValu" house brand products, and these initiatives will be reflected in the Group's newly renovated stores in Hong Kong. The Group currently has a total of 42 stores (only taking the Group's general merchandise stores, independent supermarkets and shopping centres into account), comprising 13 stores in Hong Kong and 29 stores in the PRC. Further to its opening of a new store in Panyu in February 2016, the Group plans to open three more new stores in major cities, namely Guangzhou, Dongguan and Luohu, in Guangdong province in the second half of 2016, such that its total number of stores will increase to 45 stores. The Group also expects to continue to expand and open new stores in the PRC in the years 2017 and 2018 and the above Aggregate Annual Caps have been determined with reference to such business plans of the Group and on the assumption that all of such plans will be fully and successfully implemented.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Historical treatment of transactions with the Merchandise Providers

As mentioned above, the Group has been engaging in merchandise transactions with the Merchandise Providers in its ordinary and usual course of business. Whereas the Group purchases a variety of merchandise from the TopV Group (or their predecessors) and COX, a consignment arrangement is in place between the Company's subsidiaries and G Foot whereby G Foot (as consignor) provides the Company's subsidiaries (as consignee) with merchandise for sale at its general merchandise stores in the PRC.

Prior to the entering into of the Master Purchase Agreements, no master or framework agreement had been entered into between the Company and the Merchandise Providers. Given that each of the merchandise transactions between the Company and the Merchandise Providers were independent of each other, separately negotiated, made on an ad hoc basis at different times and from time to time in respect of a variety of merchandise, the Company was previously of the view that aggregation pursuant to the Listing Rules would not be required and hence did not aggregate these merchandise

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transactions. However, with guidance from the Stock Exchange, the Company is now aware that the merchandise transactions with the Merchandise Providers should have been aggregated pursuant to the relevant requirements under Chapter 14A of the Listing Rules.

Going forward, with the signing of the Master Purchase Agreements, the Company will aggregate the transactions under these agreements pursuant to LR14A.81 of the Listing Rules and comply with the applicable requirements under the Listing Rules based on the classification of transactions under the Master Purchase Agreements when aggregated.

Internal Control Procedures

The Company will monitor the transaction amounts under the Master Purchase Agreements, based on the purchase price paid by the Group for transactions with the TopV Group and COX (before rebate) and the amount of consignment sales with G Foot (before rebate but net of commission received by the Group from G Foot under their consignment arrangement), against the Aggregate Annual Caps.

In addition to the annual review by the auditors and independent non-executive Directors of the Company, as part of the Group's internal controls systems to ensure that the transactions between the Group and the Merchandise Providers are conducted in accordance with the pricing policy under the Master Purchase Agreements, the Group has implemented two tiers of internal controls arrangements. The first tier of controls will be implemented by the buying office of each member of the Group, who will:

- (i) collect necessary documents and conduct relevant checks to ensure that each transaction is conducted in accordance with the pricing policy of the relevant Master Purchase Agreement;
- (ii) review the purchase records of the Group for the purchase of similar merchandise from independent third parties and/or purchase records of other purchaser(s) of the Merchandise Providers, as the case may be; and
- (iii) conduct checks to ascertain whether the net mark-up rates offered to the Group (taking into account the actual rebates granted to the Group) is no less favourable than the net mark-up rates offered by the Merchandise Providers to their other purchaser(s).

The second tier of controls will be implemented by the respective internal control or audit department of each member of the Group, who will regularly review the documentation collected and review the process conducted by their respective Buying Office. In respect of transactions with the TopV Group, they will also request for the audited financial statements and management accounts of the TopV Group in order to verify the amount of gross profit and direct operating costs.

Further, to ensure compliance with the connected transaction rules, the Company has a Connected Transactions Panel comprising its Administration Director, Finance General Manager, Legal Senior Manager and Internal Audit Senior Manager which review and monitor the existing and proposed connected transactions of the Group on a regular basis.

LETTER FROM THE BOARD

With a view to enhancing the effectiveness of the Connected Transactions Panel and strengthening the Company's internal controls system, the Company will arrange for regular meetings to be held every alternate week, during which the Connected Transactions Panel will discuss and review the Group's existing and proposed connected transactions. Where necessary, certain administration directors, finance and legal managers from the Company's subsidiaries will also be invited to attend the meetings. Going forward, the Connected Transactions Panel will particularly focus on the need for aggregation in respect of the Group's connected transactions.

In addition, the Company will arrange for periodic compliance trainings to be provided to its Directors, senior management, Connected Transactions Panel members and relevant internal department members of itself and its subsidiaries, with a primary focus on connected transactions rules under Chapter 14A of the Rules. The legal team of the Company will provide updates or amendments of the Listing Rules to the Directors and relevant personnel of the Group to ensure that they are kept up-to-date of the latest developments of the Listing Rules. They will also regularly look out for appropriate training courses offered by external professional service providers and if time permits, enroll for the Directors and relevant personnel of the Group.

Reasons for and benefits of the Master Purchase Agreements

As mentioned above, "TopValu" is a renowned private brand of the AEON group established in 2000, which comprises a wide range of quality products sold worldwide at stores of members of the AEON group. The TopV Group is currently one of the Group's most prevalent brands at the stores and its "TopValu" products have been sold at the Group's stores for 16 years. The Company believes that the "TopValu" products, as a unique brand of the "AEON" Group, have been developed as customer oriented products to meet varying customer priorities and needs, including lifestyle, value, quality, functionality, safety, health, convenience, price and sustainability. These "TopValu" products have contributed positively to the Group's brand image and are regarded as critical to developing and enhancing the Group's customer loyalty.

In recent years, competition in the supermarket and retail industry in Hong Kong and the PRC has become increasingly intense, particularly in terms of pricing and the range of products offered. One of the most important strategies of the Group is brand building, maintaining customer loyalty and retaining more customers. The Company is of the view that the Group's brand image and sourcing of "TopValu" products help differentiate the Group from its competitors.

In the past three years, the total sales of the "TopValu" products and the total gross profit amount attributable to the "TopValu" products have been increasing on a year-on-year basis. Based on the Company's management accounts, the percentage of (i) the total sales of the "TopValu" products over (ii) the Group's total sales was approximately 2.0%, 2.1% and 2.3% for each of the three years ended 31 December 2015, respectively. However, the contribution from the "TopValu" products to the Group's total gross profit amount, which is reflected by a percentage of (i) the total gross profit amount from the "TopValu" products over (ii) the Group's total gross profit amount, reached 2.8%, 3.2% and 3.4% in

LETTER FROM THE BOARD

each of the said three years respectively, in comparison. Thus “TopValu” products are contributing a bigger proportion to the Group’s gross profit amount than the Group’s total sales. To better illustrate the gross margin of the “TopValu” products, the “TopValu” products offered an approximately 10% higher gross margin than the Group’s average gross margin in each of the said three years.

In view of the abovementioned matters, the Group’s strategy to continue and enhance co-operation with the Merchandise Providers and the Group’s further expansion plans in China, the Company has entered into the Master Purchase Agreements with the Merchandise Providers to better regulate their existing merchandise transactions and determine a set of uniform terms for future transactions. The Company believes that the entering into of the Master Purchase Agreements should allow the Group to achieve economies of scale and differentiations from competitors and is therefore highly important and strategic for the long term growth and success of the Group.

The Directors (including the independent non-executive Directors) are of the view that (i) entering into of the Master Purchase Agreements is in the ordinary and usual course of business of the Group; (ii) the terms of the Master Purchase Agreements (including the pricing terms and payment terms) are on normal commercial terms; and (iii) the terms of the Master Purchase Agreements and the Aggregate Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

At Board meetings convened to consider the Master Purchase Agreements, Mr. Yoshiaki Mizushima, Mr. Hideaki Yajima, Ms. Yuki Habu and Mr. Shinya Wako were regarded as potentially having a material interest in the Master Purchase Agreements and accordingly abstained from voting on the relevant resolutions.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, each of the Merchandise Providers is a connected person of the Company by virtue of its being a subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Purchase Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of Aggregate Annual Caps are more than 5%, the transactions under the Master Purchase Agreements are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

The TopV Group is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items.

LETTER FROM THE BOARD

COX is principally engaged in the supply of a variety of fashion and household merchandise.

G Foot is principally engaged in the supply of a variety of shoes merchandise.

EGM

A resolution approving the transactions contemplated under each Master Purchase Agreement and the Aggregate Annual Caps shall be proposed at the EGM.

In view of AEON Co's interests in the Master Purchase Agreements, AEON Co and its associates are required to abstain and shall abstain from voting on the resolution to be proposed at the EGM to approve the transactions contemplated under each Master Purchase Agreement and the Aggregate Annual Caps.

A notice convening the EGM to be held at President Suite, World Trade Centre Club Hong Kong, 38/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 21 June 2016 at 10:00 a.m. is set out on pages 41 to 43 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, they are requested to complete the enclosed form of proxy and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon 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 prevent Shareholders from subsequently attending and voting at the EGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Master Purchase 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 that the Aggregate Annual Caps are fair and reasonable. The Directors therefore recommend the Independent Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

FURTHER INFORMATION

The Independent Board Committee comprising all four independent non-executive Directors has been appointed to recommend the Independent Shareholders in respect of the transactions contemplated under the Master Purchase Agreements (including the Aggregate Annual Caps). Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 21 of this circular, which contains its recommendation to the

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Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 21 to 36 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

Yours faithfully,
By Order of the Board of
AEON Stores (Hong Kong) Co., Limited
CHAN Pui Man Christine
Managing Director



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)

4 June 2016

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER PURCHASE AGREEMENTS**

We refer to the circular of the Company dated 4 June 2016 (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 the Master Purchase Agreements (including the Aggregate Annual Caps) 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 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 Master Purchase Agreements (including the Aggregate Annual Caps).

We wish to draw your attention to the letter from the Board set out on pages 4 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 36 of the Circular which contains its opinion in respect of transactions contemplated under the Master Purchase Agreements (including the Aggregate Annual Caps).

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the transactions contemplated under the Master Purchase Agreements (including the Aggregate Annual Caps) 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the EGM.

Yours faithfully,
Independent Board Committee of
AEON Stores (Hong Kong) Co., Limited
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty
CHOW Chi Tong
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, 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

4 June 2016

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER PURCHASE AGREEMENTS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Master Purchase Agreements and the transactions contemplated thereunder together with the Aggregate Annual Caps. Details of the Master Purchase Agreements (together with the Aggregate Annual Caps) are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 4 June 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

On 31 March 2016, the Company entered into the TopV Master Purchase Agreement with each of TopV HK and TopV China, pursuant to which the Company and any of its subsidiaries will purchase a variety of merchandise from the TopV Group, including but not limited to AEON Co's “Topvalu” products, an in-house brand developed by AEON Co, and other branded products sourced by the TopV Group, during the term of the TopV Master Purchase Agreement.

On 5 May 2016, the Company entered into the COX Master Purchase Agreement with COX, pursuant to which the Company and any of its subsidiaries will purchase a variety of fashion and household merchandise from COX during the term of the COX Master Purchase Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 May 2016, the Company also entered into the G Foot Master Purchase Agreement with G Foot, pursuant to which G Foot will provide a variety of shoes merchandise to the Purchasers for sale to retail customers on a consignment basis at general merchandise stores of the Group during the term of the G Foot Master Purchase Agreement.

As stated in the letter from the Board, each of the Merchandise Providers is a connected person of the Company by virtue of its being a subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Purchase Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Aggregate Annual Caps are more than 5%, the transactions under the Master Purchase Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong, has been formed to making recommendations to the Independent Shareholders in respect of the terms of the Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate Annual Caps). We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, AEON Co, the Merchandise Providers or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate 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, the Merchandise Providers or their respective substantial shareholders or associates.

During the past two years, Somerley Capital Limited acted as the independent financial adviser and issued opinion letter to the Company in relation to continuing connected transactions of the Group announced on 23 November 2015. The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules. Under the past engagement, Somerley Capital Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Group, the Merchandise Providers and AEON Co on the other hand that could reasonably be regarded as a hindrance to our independence as defined under the Listing Rules to act as the independent financial adviser

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Independent Board Committee and Independent Shareholders in connection with the continuing connected transactions under the Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate Annual Caps).

In formulating our opinion, we have reviewed, amongst others, the Master Purchase Agreements, the interim report of the Company for the six months ended 30 June 2015, the annual report of the Company for the year ended 31 December 2015 and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group regarding the businesses of the Group, the prospect of conducting the Master Purchase Agreements and the transactions contemplated thereunder.

We relied on the information and facts supplied, and the opinions expressed to us, by management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. 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 relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. 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 Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate 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 general merchandise stores in Hong Kong and the PRC.

2. Information on the Merchandise Providers

The TopV Group is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items.

COX is principally engaged in the supply of a variety of fashion and household merchandise.

G Foot is principally engaged in the supply of a variety of shoes merchandise.

3. Reasons for and benefits of the Master Purchase Agreements

The Group has been engaged in merchandise transactions with the Merchandise Providers in the ordinary and usual course of its business. Whereas the Group purchases a variety of merchandise from the TopV Group (or their predecessors) and COX, a consignment arrangement is in place between the Company's subsidiaries and G Foot whereby G Foot (as consignor) provides the Company's subsidiaries (as consignee) with merchandise for sale at its general merchandise stores in the PRC.

In view of the Group's strategy to continue and enhance co-operation with the Merchandise Providers and the Group's further expansion plans in China, the Company has entered into the Master Purchase Agreements with the Merchandise Providers to better regulate their existing merchandise transactions and determine a set of uniform terms for future transactions. The entering into of the Master Purchase Agreements should allow the Group to achieve economies of scale and differentiations from competitors, and is therefore highly important and strategic for the long term growth and success of the Group. Shareholders' attention is drawn to further details set out under the paragraph headed "Reasons for and benefits of the continuing connected transactions" in the letter from the Board of the Circular.

Having considered the Group's principal business which is the operation of general merchandise stores, we concur with the Directors' view that the entering into of the Master Purchase Agreements is in the ordinary and usual course of business of the Group.

4. Principal terms of the Master Purchase Agreements

(I) Pricing

(i) The TopV Master Purchase Agreement and the COX Master Purchase Agreement

Pursuant to the TopV Master Purchase Agreement and COX Master Purchase Agreement, the Company has agreed to purchase, and each of the TopV Group and COX has agreed to sell, a variety of merchandise from the TopV Group and COX during the term of the TopV Master Purchase Agreement and COX Master Purchase Agreement from 1 January 2016 to 31 December 2018. The parties to the TopV Master Purchase Agreement and COX Master Purchase Agreement shall enter into specific purchase contracts, which adopt the terms and conditions set out in the TopV Master Purchase Agreement and COX Master Purchase Agreement and the standard terms and conditions of the relevant purchaser prevailing at the time of execution of such purchase contract. The purchase contracts will set out detailed terms (e.g. the payment terms) of the sale and purchase of merchandise.

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The sale and purchase of merchandise between the parties will be charged on a cost-plus basis, representing all costs incurred in relation to the supply of the merchandise, including direct costs such as merchandise costs, freight costs, operational costs and other indirect or common costs allocated on a revenue or other equitable basis, plus a mark-up rate of not more than 15% of such costs before rebate. Such mark-up rate has been determined on an arms' length basis, with reference to, among others, the mark-up rates for historical transactions with the TopV Group and COX. The actual mark-up rate will vary across all merchandise purchased. Subject to compliance with the Listing Rules, the parties may review and amend such mark-up rate by mutual consent. Should such amendment result in the mark-up rate exceed 15%, the Company will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Where the Merchandise Providers supply the same merchandise to any of its other purchaser(s), if any, other than the Company and/or its subsidiaries, the Merchandise Providers will supply the merchandise to the Group at the same fixed unit price or a price no less favourable than (i) the prices available in the market for the same or similar merchandise and (ii) the prices offered by the Merchandise Providers to their other purchaser(s), if any, provided that both parties acknowledge that difference in prices (offered by the Merchandise Providers) may arise due only to the difference in the relative location and the actual freight costs applicable to a purchasing party and such difference shall not be regarded as violation of the foregoing conditions.

(a) TopV HK

As advised by the management of the Group, the Purchasers are the only customers of TopV HK and therefore no comparable transactions between TopV HK and its other purchasers are available.

For each category of merchandise purchased from TopV HK, which includes fashion, household and food items, we have reviewed 10 samples of: (i) the invoices received by TopV HK in relation to the merchandise costs and operational costs, which include costs of freight, labour, storage, transport, bank charges, declaration fee, cargo insurance, testing and royalty etc.; and (ii) the invoices issued by TopV HK to the Purchasers for the merchandise sales. Based on the samples reviewed by us, it is noted that the ratio of operational costs to merchandise costs were generally higher for invoiced amount of smaller value, and the operational costs varied for each type of merchandise depending on a number of factors such as (i) the location of TopV HK's merchandise supplier, as additional costs such as freight, transport, declaration fee and cargo insurance expenses would be incurred for

merchandise purchased from overseas suppliers; and (ii) the size and quantity of the merchandise purchased which determine the amount of certain costs such as freight, labour, storage and transport expenses.

After taking into account all merchandise costs, operational costs and the rebates offered by TopV HK as discussed in the sub-section headed “(II) Rebates” below, the net mark-up rates of these samples all fall below 15% of all costs incurred by TopV HK in relation to the supply of the merchandise. We have also reviewed the audited financial statements of TopV HK for the year ended 28 February 2015 and the management account for the year ended 29 February 2016, and noted that the average mark-up rates of all TopV HK’s merchandise sales (as defined by the percentage of (i) revenue less cost of sales and distribution costs over (ii) the sum of cost of sales and distribution costs) were 10.5% and 7.9% respectively, which were below 15% in both years. The mark-up rates (before rebate) of the 30 samples reviewed by us ranged from 0.14% to 14.58%, while the net mark-up rates of 25 of these 30 samples were below the average mark-up rate of 7.9% for TopV HK’s merchandise sales and the net mark-up rates of the rest are below 9%.

We have also reviewed the purchase record of the Purchasers for purchasing similar merchandise from independent third parties, and noted that the unit prices (after rebates) of these similar merchandise offered by independent third parties, which included a range of fashion, household and food items such as t-shirts, pants, socks, juices, noodles, alcohol, blankets, water jar and laundry nets etc., are all higher than the unit prices (after rebates) of all 30 samples of the merchandise offered by TopV HK. Given such, the prices offered by TopV HK are no less favourable than the prices offered by independent third parties.

(b) TopV PRC and COX

As advised by the management of the Group, TopV PRC and COX supply their merchandise to the Purchasers and also other purchasers which are subsidiaries of AEON Co (i.e. fellow subsidiaries of the Company).

For each category of merchandise purchased from TopV PRC, which includes fashion, household and food items, we have reviewed 10 samples of: (i) the invoices received by TopV PRC in relation to the merchandise costs; and (ii) the invoices issued by TopV PRC to the Purchasers and one of the other purchasers for the merchandise sales. We noted that for each sample, the same merchandise costs are charged by TopV PRC to the Purchasers and the other purchaser. Unlike TopV HK, no invoices in relation to the operational costs are available from TopV PRC. Alternatively, as advised by the management of the Group,

the operational costs of the merchandise had been determined based on the ratio of total operational costs (including costs of freight and transport, inspection, accessories, declaration fee, and royalty) to the total cost of sales as set out in the latest management accounts of the TopV PRC from time to time. The average operational costs over the merchandise costs across all the samples amounted to approximately 7.9%, which is equivalent to the same ratio based on the audited financial statements of TopV PRC for the year ended 31 December 2015.

After taking into account (i) the merchandise costs; (ii) the operational costs of approximately 7.9% of the cost of sales; and (iii) the rebates offered by TopV PRC as discussed in the sub-section headed “(II) Rebates” below, the net mark-up rates of the samples all fall below 15% of the costs incurred by TopV PRC in relation to the supply of the merchandise and are no less favourable than those of the other purchaser.

As advised by the management of the Group, COX supplied mainly fashion items to the Purchasers. As the total merchandise purchased in 2015 from COX accounted for only 1% of the total purchase from the Merchandise Providers, we have only reviewed 5 samples of: (i) the invoices received by COX in relation to the merchandise costs; and (ii) the invoices issued by COX to the Purchasers and one of the other purchasers for the merchandise sales. We noted that for each sample, the same merchandise costs are charged by COX to the Purchasers and the other purchaser. As advised by the management of the Group, no information on the operational cost is available from COX. However, after taking into account only the merchandise costs and rebates offered by COX as discussed in the sub-section headed “(II) Rebates” below, the net mark-up rates of the samples all fall below 15% of the merchandise costs incurred by COX and are no less favourable than those of the other purchaser.

(ii) The G Foot Master Purchase Agreement

Pursuant to the G Foot Master Purchase Agreement, the Purchaser(s) shall be entitled to a commission out of the proceeds from its sale of shoes merchandise provided by G Foot. The amount of such commission shall be determined on an arms’ length basis, being no less than 10 to 16% of the sales proceeds and no less favourable than the commission rate offered by G Foot to its other consignee(s), if any. Such range of commission rate has been determined on an arm’s length basis, with reference to, among others, the commission rate for historical transactions with G Foot, the location of a particular store, location of the consignment counter within each store, supply and demand of similar merchandise by other independent third party suppliers. Subject to compliance with the Listing Rules, the parties may review and amend such rate of commission by mutual consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed all consignment contracts entered into by G Foot with (i) the Purchasers and (ii) its other consignee for the year ending 30 June 2016, and noted that the commission rates granted to the Purchasers are no less favourable than those granted to its other consignee.

(II) Rebates

The Merchandise Providers may, taking into account factors such as purchase volume, promotions from manufacturers, its budget, results and profits, grant rebates to the Company and/or its subsidiaries (as agreed with such parties) from time to time as may be agreed mutually between the respective members of the Merchandise Providers and the Group.

(a) TopV HK

We have reviewed the annual trading terms agreements entered into between TopV HK and the Company for the two years ended 31 December 2014 and 2015 and for the year ending 31 December 2016, where in each year TopV HK has granted the Company (i) an aggregate fixed rebate of 3.0% of total purchases for the year and (ii) an incentive rebate of up to 0.7% if total purchases for the year reaches certain specific targets. We have also reviewed the supplemental trading terms agreements entered into by TopV HK and the Company for the two years ended 31 December 2014 and 2015, where the Company was granted additional rebates of 0.2% and 1.4% of total purchases in 2014 and 2015 respectively. As advised by management of the Company, such additional rebates are granted to the Company on a year-on-year basis subject to the annual profit of TopV HK exceeded the minimum profit before tax required by TopV HK to adequately operate its business. We have also reviewed the annual trading terms agreements entered into between the Purchasers and independent third parties for purchasing similar merchandise as the samples reviewed by us, and noted that the rebates offered by the independent third parties ranged from 3.00% up to 8.75%. Despite the total rebate granted by TopV HK to the Purchasers was lower than those offered by some of the independent third parties, the unit prices (after rebate) offered by TopV HK as discussed in the sub-paragraph headed “(i) The TopV Master Purchase Agreement and the COX Master Purchase Agreement — (a) TopV HK” above across all the samples are no less favourable than the prices (after rebates) offered by independent third parties.

(b) TopV PRC

We have reviewed the supplier trading terms agreements for the year ended 30 June 2015 and the year ending 30 June 2016 entered into by TopV PRC with (i) the Purchasers and (ii) its other purchaser, and the supplemental agreements entered into by TopV PRC with the Purchasers regarding an one-off additional rebate granted to the Purchasers for the year ended 31 December 2015. According to the supplier trading terms

agreements, the Purchasers were granted rebates ranging from 2.0% to 3.6% for the various categories of merchandise purchased from TopV PRC, which include fashion, household and food items. After also taking into account the one-off additional rebate under the supplemental agreements, the effective rate of rebate offered to the Purchasers for all types of merchandise purchased from TopV PRC was approximately 2.3%, which is comparable to the rebate offered by TopV PRC to its other purchaser.

(c) COX

We have reviewed the supplier trading terms agreements for the year ended 30 June 2015 and the year ending 30 June 2016 entered into by COX with (i) the Purchasers and (ii) its other purchaser, and the supplemental agreements entered into by COX with the Purchasers regarding an one-off additional rebate granted to the Purchasers for the year ended 31 December 2015. According to the agreements, the Purchasers were granted rebates of 1.0% for the fashion merchandise purchased from COX, which is lower than the rebate offered by COX to its other purchaser, which is offered a 2.0% rebate. Despite the rebates offered by COX to the Purchasers were lower than the one to its other purchaser, the net mark-up rates as discussed in the subparagraph headed “(i) The TopV Master Purchase Agreement and the COX Master Purchase Agreement — (b) TopV PRC and COX” above across all the samples are no less favourable than those of its other purchaser.

(d) G Foot

We have reviewed all consignment contracts entered into by G Foot with (i) the Purchasers and (ii) its other consignee for the year ending 30 June 2016, and noted that the Purchasers were granted rebates ranging from 0.0% to 2.0%, whereas the other consignee was not granted any rebates.

(III) Payment terms

Payment terms are also set out in (a) the annual trading terms agreements entered into between TopV HK and the Company; (b) the supplier trading terms agreements entered into between TopV PRC or COX on one hand and the Purchasers or their respective other purchasers on the other hand; and (c) the consignment contracts entered into by G Foot on one hand and the Purchasers or its other consignees on the other hand.

(a) TopV HK

We have noted that in each year TopV HK has offered the Company a 60-day credit term as compared to that offered by independent third parties for purchasing similar merchandise as the samples reviewed by us ranging from 45 to 75 days. As the 60-day credit term offered by TopV HK falls within this range, it is considered comparable to the payment terms offered by independent third parties and on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) TopV PRC and COX

We have noted that the Purchasers were offered a 30-day credit term, which is the same as those offered by each of TopV PRC and COX to their respective other purchaser and is considered to be on normal commercial terms.

(c) G Foot

We have noted that the Purchasers were offered a 30-day credit term, which is the same as that offered by G Foot to its other consignee and is considered to be on normal commercial terms.

Given (i) the pricing and payment terms of the merchandise between the Purchasers and the Merchandise Providers (including the TopV Group and COX) are comparable to the prices and payment terms of similar merchandise procured from independent third parties or no less favourable than the prices and payment terms of similar merchandise offered by such Merchandise Providers to their other purchasers; (ii) the pricing basis, which is determined on cost plus mark-up rate (before rebate) of not more than 15%, is in line with the purchase transactions in the past; and (iii) the consignment commission, rebate and payment terms offered by G Foot to the Purchasers are no less favourable than those offered to its other purchaser, we consider the terms of the Master Purchase Agreements are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

As discussed with the management of the Group, as part of the Group's internal controls systems to ensure that the transactions between the Group and the Merchandise Providers are conducted in accordance with the pricing policy under the Master Purchase Agreements, the Group has implemented two tiers of internal controls arrangements. The first tier of controls will be implemented by the buying office of each member of the Group, who will: (i) collect necessary documents and conduct relevant checks to ensure that each transaction is conducted in accordance with the pricing policy of the relevant Master Purchase Agreement; (ii) review the purchase records of the Group for the purchase of similar merchandise from independent third parties and/or purchase records of other purchaser(s) of the Merchandise Providers for the merchandise purchases from the Merchandise Providers, as the case may be; and (iii) conduct checks to ascertain whether the net mark-up rates offered to the Group (taking into account the actual rebates granted to the Group) is no less favourable than the net mark-up rates offered by the Merchandise Providers to their other purchaser(s). The second tier of controls will be implemented by the respective internal control or audit department of each member of the Group, who will regularly review the documentation collected and review the process conducted by their respective buying office. In respect of transactions with the TopV Group, they will also

request for the audited financial statements and management accounts of the TopV Group in order to verify the amount of gross profit and direct operating costs.

Given (i) the aforementioned two tiers of controls arrangements implemented by the Group to ensure that the transactions between the Group and the Merchandise Providers are conducted in accordance with the pricing policy under the Master Purchase Agreements; (ii) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions contemplated under the Master Purchase Agreements are conducted on normal commercial terms; and (iii) the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions contemplated under the Master Purchase Agreements are conducted in accordance with the terms of the Master Purchase Agreements, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the Master Purchase Agreements in order to protect the interests of the Company and the Independent Shareholders.

5. The Aggregate Annual Caps

As stated in the letter from the Board, one of the objectives of the Group is to increase the contributions from the direct sales through further promoting, among other brands, its “TopValu” house brand products, and these initiatives will be reflected in the Group’s newly renovated stores in Hong Kong. The Group currently has a total of 42 stores (only taking the Group’s general merchandise stores, independent supermarkets and shopping centres into account), comprising 13 stores in Hong Kong and 29 stores in the PRC. Further to its opening of a new store in Panyu in February 2016, the Group plans to open three more new stores in major cities, namely Guangzhou, Dongguan and Luohu, in Guangdong province in the second half of 2016, such that its total number of stores will increase to 45 stores. The Group also expects to continue to expand and open new stores in the PRC in the years 2017 and 2018. As advised by the management of the Group, the number of stores remained stable between 40 to 42 stores in the past three years, while the previous notable expansion of the Group’s store network took place in 2012. Accordingly, it is considered appropriate to take into account the historical amounts of the transactions (the “**Historical Transactions**”) between each of the Purchasers (namely, the Company,

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AEON GD and ASC) and the Merchandise Providers (or their predecessors) for the five years ended 31 December 2015 in arriving at the Aggregate Annual Caps. Set out below are the Historical Transactions as provided by the Company:

	For the financial year ended 31 December				
	2011	2012	2013	2014	2015
The Company					
— Historical Transactions (<i>HK\$'million</i>)	111.6	148.8	170.6	155.9	163.1
— <i>Year-on-year growth</i>		33.3%	14.7%	-8.6%	4.6%
— <i>Historical Transactions/Total direct sales</i>	4.1%	4.8%	4.8%	4.5%	4.8%
AEON GD					
— Historical Transactions (<i>RMB'million</i>)	22.7	30.7	35.3	21.3	25.2
— <i>Year-on-year growth</i>		35.1%	15.1%	-39.7%	18.2%
— <i>Historical Transactions/Total direct sales</i>	1.3%	1.7%	1.6%	0.9%	1.0%
ASC					
— Historical Transactions (<i>RMB'million</i>)	30.2	53.8	50.9	61.6	79.6
— <i>Year-on-year growth</i>		78.2%	-5.3%	20.9%	29.2%
— <i>Historical Transactions/Total direct sales</i>	3.5%	6.0%	5.0%	5.2%	6.3%

Note: As stated in the letter from the Board, the historical amounts of the transactions between members of the Group and the Merchandise Providers are compiled based on the purchase transactions with the TopV Group and COX and transactions with G Foot as represented by its corresponding consignment sales (net of concessionaire commission).

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Set out below are the purchase projection prepared by the management of the Company and proposed Aggregate Annual Caps for the continuing connected transactions between the members of the Group and the Merchandise Providers under the Master Purchase Agreements for each of the three years ending 31 December 2018:

	For the financial year ending 31 December		
	2016	2017	2018
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
The Company			
— Projected purchases from Merchandise Providers	217.5	323.5	461.2
— <i>Projected purchases from Merchandise Providers/ projected total direct sales</i>	<i>5.7%</i>	<i>6.8%</i>	<i>7.9%</i>
AEON GD			
— Projected purchases from Merchandise Providers	41.2	53.1	69.9
— <i>Projected purchases from Merchandise Providers/ projected total direct sales</i>	<i>1.2%</i>	<i>1.3%</i>	<i>1.4%</i>
ASC			
— Projected purchases from Merchandise Providers	124.5	182.0	247.9
— <i>Projected purchases from Merchandise Providers/ projected total direct sales</i>	<i>7.1%</i>	<i>8.3%</i>	<i>9.5%</i>
Total	383.2	558.6	779.0
Aggregate Annual Caps	402.0	590.0	815.0

Note: The Aggregate Annual Caps have been computed based on the abovementioned historical amounts of the transactions and the management of the Group will continue to monitor the transaction amounts under the Master Purchase Agreement (on the same basis as compiling the historical amounts of the transactions, before rebates, above) against the Aggregate Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the management of the Group the calculation of the proposed Aggregate Annual Caps, which is based on the purchase projection prepared by them for the three years ending 31 December 2018 on the following basis:

(a) *The Company*

The purchase projection of the Company for the year ending 31 December 2016 has been determined based on the actual purchase of the merchandise for the year ended 31 December 2015 which amounted to HK\$163.1 million multiplied by the year-on-year growth rate of relevant Historical Transactions in 2012 (i.e. 33.3%). Each of the purchase projection from the Merchandise Providers for the years ending 31 December 2017 and 2018 has been computed based on the Company's total direct sales projection for 2017 and 2018 multiplied by 6.8% and 7.9% respectively. Such 6.8% and 7.9% are determined with reference to the ratios of the Historical Transactions to the Company's total direct sales in the past 5 years.

(b) *AEON GD*

The purchase projection of AEON GD for the year ending 31 December 2016 has been determined based on the actual purchase of the merchandise for the year ended 31 December 2015 which amounted to RMB25.2 million multiplied by (i) the year-on-year growth rate of relevant Historical Transactions in 2012 (i.e. 35.1%); and (ii) the exchange rate of RMB1.00 to HK\$1.21. Each of the purchase projection from the Merchandise Providers for the years ending 31 December 2017 and 2018 has been computed based on AEON GD's total direct sales projection for 2017 and 2018 multiplied by 1.3% and 1.4%. Such 1.3% and 1.4% are determined with reference to the ratios of the Historical Transactions to AEON GD's total direct sales in the past 5 years.

(c) *ASC*

The purchase projection of ASC for the year ending 31 December 2016 has been determined based on the actual purchase of the merchandise for the year ended 31 December 2015 which amounted to RMB79.6 million multiplied by (i) the year-on-year growth rate of relevant Historical Transactions in 2015 (i.e. 29.2%); and (ii) the exchange rate of RMB1.00 to HK\$1.21. Each of the purchase projection from the Merchandise Providers for the years ending 31 December 2017 and 2018 has been computed based on ASC's total direct sales projection for 2017 and 2018 multiplied by 8.3% and 9.5%. Such 8.3% and 9.5% are determined with reference to the ratios of the Historical Transactions to ASC's total direct sales in the past 5 years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that the year-on-year growth rate in 2012, which was the highest in the five-year historical record due to the expansion of store network during the year, has been used in the purchase projection in 2016 for the Company and AEON GD and concur with the Directors that this would allow flexibility to the Group to ensure its smooth operations and has been generally in line with of its stores expansion plan in 2016. As the highest year-on-year growth rate of ASC in 2012 might be an exceptional year, the management of the Group considers that it would be appropriate to use the second highest year-on-year growth rate in 2015 in the relevant projection. We consider that the purchase projection by the management of the Group for the year ending 31 December 2016 by adopting the respective abovementioned year-on-year growth rates is generally in line with the Group's store expansion plan in 2016 and therefore the basis for determining the Aggregate Annual Cap in 2016 is fair and reasonable.

For the two years ending 31 December 2018, despite the number of stores to be opened by the Group could not be ascertained for the time being, the management considers that differentiation from competitors by further promoting and selling "TopValu" products has been one of the keys to the Group's success. It is thus expected that the ratio of the purchases from Merchandise Providers to the respective Purchasers' total direct sales will increase gradually. The purchase projection from the Merchandise Providers for the two years ending 31 December 2017 and 2018 have thus been based on the direct sales projection of the Purchasers multiplied by the ratios which are determined with reference to the Historical Transactions as a percentage of the Purchasers' total direct sales in 2011–2015. We consider the basis for determining the Aggregate Annual Caps in 2017 and 2018 to be fair and reasonable. The buffer used in the Aggregate Annual Caps is about 4–6% each year during the term of the Master Purchase Agreements, for which the Directors consider, and we concur it to be reasonable and will accommodate any possible increase in purchases as a result of opening new stores and exchange rate fluctuations.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Master Purchase Agreements is 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 Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate Annual Caps) are on normal commercial terms and fair and reasonable as 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 favor of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ordinary resolution to be proposed at the EGM in relation to the terms of the Master Purchase Agreements and the transactions contemplated thereunder (together with the Aggregate Annual Caps).

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

Ms. Jenny Leung is licensed 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

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 debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) nor had any interest in the right to subscribe for Shares in the Company which had 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) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, 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 in the total number of issued shares of the Company %
CHAN Pui Man Christine	6,000	0.002

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

Name of Directors	Number of shares held as personal interests	Approximate aggregate percentage of interests %
Yoshiaki MIZUSHIMA	3,788	0.00043
Yuki HABU	7,708	0.00088
Shinya WAKO	4,400	0.00050

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors are also employees of AEON Co, which has an interest in the Shares of the Company 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 Director	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
Shinya Wako	Aeon Co., Ltd	Deputy President Chief Corporate Planning Officer Chief International Business Officer

4. DIRECTORS' SERVICE CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

7. MATERIAL ADVERSE CHANGES

Save as disclosed in the profit warning announcement of the Company dated 27 May 2016, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERTS

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Somerley Capital Limited	a licenced corporation 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, Somerley:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding 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 since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, 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.

9. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Master Purchase Agreements are available for inspection during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the principal place of business of the Company at 7/F., D2 Place One, 9 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong up to and including the date of the EGM.



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 President Suite, World Trade Centre Club Hong Kong, 38/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 21 June 2016 at 10:00 a.m. (the “**EGM**”), to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the transactions contemplated under each of the TopV Master Purchase Agreement, COX Master Purchase Agreement and G Foot Master Purchase Agreement (as defined and described in the circular to the shareholders of the Company dated 4 June 2016 (the “**Circular**”), copies of which have been produced to the meeting marked “**A**”, “**B**”, and “**C**” respectively and each signed by the Chairman of the meeting for the purpose of identification) and the Aggregate Annual Caps (as defined and described in the Circular) relating thereto 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 each of the TopV Master Purchase Agreement, COX Master Purchase Agreement and G Foot Master Purchase Agreement and the transactions contemplated thereunder and the Aggregate Annual Caps be and are hereby ratified, confirmed and approved, and any one director of the Company (“**Director**”) be and is hereby

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 any of the TopV Master Purchase Agreement, COX Master Purchase Agreement and G Foot Master Purchase Agreement or the transactions contemplated thereunder and/or the Aggregate Annual Caps 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, 4 June May 2016

Registered office:

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 17 June 2016 to 21 June 2016, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 16 June 2016.
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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. Voting of the ordinary resolution set out in this notice will be by way of poll.
6. If Typhoon Signal No. 8 or above remains hoisted at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed or adjourned. The Company will post an announcement on the Company's website at www.aeonstores.com.hk and the HKExnews website at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal or a Black Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations.

As at the date of this notice, the executive Directors are Ms. Chan Pui Man, Christine, Mr. Yoshiaki Mizushima, Mr. Hideaki Yajima and Mr. Chak Kam Yuen; the non-executive Directors are Ms. Yuki Habu and Mr. Shinya Wako; and the independent non-executive Directors are Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong.