THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

AEON STORES (HONG KONG) CO., LIMITED

永旺（香港）百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

MAJOR TRANSACTIONS IN RELATION TO THE PP, OP AND HZ SUPPLEMENTAL AGREEMENTS

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 32 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholder's approval pursuant to the Listing Rules and this circular is being despatched to Shareholders for information only.

Reference to time and dates in this circular are to Hong Kong time and dates.

6 December 2024

CONTENTS

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

"AEON Co"	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
"Board"	the board of Directors
"Company"	AEON Stores (Hong Kong) Co., Limited (永旺(香港)百貨有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 984)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"East Railway Station"	The Guangzhoudong railway station, which is located in the Tianhe District of Guangzhou city, is a single station complex interconnected with railway, metro and bus terminal stations
"EBITDA"	earnings before interest, taxes, depreciation, and amortization
"Existing HZ Lease Agreement"	The lease renewal agreement dated 8 July 2020 entered into by AEON SC and the Landlord HZ in respect of the Existing HZ Premises for a term from 27 November 2023 to 26 November 2034 (both dates inclusive) for a total rent of approximately RMB585 million and total management fees of approximately RMB59.95 million for AEON SC's operation of a retail store in the name of "AEON" and "永旺"
"Existing HZ Premises"	Commercial parts on the 1st to 5th Floors, loading area on the 1st floor of the basement and the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District Huizhou City, Guangdong Province, China* (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓地面一層至五層部分、地下一層卸貨區及地下一層、地下二層、地面六層的設備用房)

"Existing OP Lease Agreement"	the lease agreement dated 30 September 2002 signed by AEON GD and the Landlord OP as supplemented by two supplemental agreements dated 28 August 2004 and 28 June 2015 and one undated supplemental agreement with contract number "GDA-開發-2021026" in respect of the Existing OP Premises for a term expiring on 31 December 2025 for AEON GD's operation of a retail store and at a total rent of approximately RMB49.3 million and a total management fee of approximately RMB32.2 million for the last four years expiring on 31 December 2025
"Existing OP Premises"	Portions of the commercial property on the First, Second and Third Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No.81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, China* (中國廣東省佛山市禪城區錦華路81號"佛山市東方廣場"銀州城裙樓一至三層部分商場) with a total lease area of approximately 23,130 square metres
"Existing PP Lease Agreement"	the existing lease agreement dated 31 October 2023 entered into by AEON GD and the Landlord PP in respect of the Existing PP Premises for a lease term commencing from 7 May 2024 and ending on 31 October 2039 (both dates inclusive), and for AEON GD's operation of a retail store and the total rent (including tax) payable for the lease term is approximately RMB327.7 million and the total management fees (including tax) payable for the lease term is approximately RMB79 million; and by the supplemental agreement No.1 dated 30 April 2024 entered into by AEON GD and the Landlord PP, the Premises PP was temporarily leased to AEON GD for its continuous operation of the retail store therein and for a short lease term of three months from 7 May 2024 to 6 August 2024 and at the total rent (including tax) of approximately RMB0.65 million and the total management fees (including tax) of approximately RMB0.19 million) payable for the term of three months, and by the supplemental agreement No.2 dated 1 August 2024 entered into by AEON GD and the Landlord PP, the Premises PP was further leased to AEON GD for another short lease term of 3 months from 7 August 2024 to 6 November 2024 at the same total rent and total management fees payable under the supplemental agreement No.1

"Existing PP Premises"	portions of the commercial property in Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業), with a total lease area of approximately 16,157.85 square metres together with the use of certain areas on Basement 1 as garbage room and cleaning room
"First HZ Supplemental Agreement"	the first supplemental lease agreement dated 26 November 2024 signed by AEON SC and the Landlord HZ
"GBA"	the Guangdong-Hong Kong-Macao Greater Bay Area
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HZ Supplemental Agreements"	The First HZ Supplemental Agreement and the Second HZ Supplemental Agreement
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) who/which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules

"Landlord HZ"	Huizhou Donghu Asset Operation Co., Ltd.* (惠州市東湖資產運營有限公司) (formerly known as Donghu Estate (Huizhou) Development Co., Ltd.* (東湖房產(惠州)開發有限公司) a company incorporated in the PRC, whose ultimate beneficial owners are Mr. Liu Xiaobo and Mr. Liu Fang who indirectly hold 60% and 40% of the shares in the Landlord HZ respectively
"Landlord OP"	Foshan Dongjian Group Co., Ltd. Limited* (佛山市東建集團有限公司), a company incorporated in the PRC, which is owned as to 12% by Tang Zhi* (唐志), 2% by Zhang Huifang* (張惠芳), 76% by Chung Liuhan* (鐘流漢) and 10% by Feng Jintang* (馮錦棠)
"Landlord PP"	Guangzhou East Station Tianhuicheng Co., Ltd.* (廣州東站天匯城有限公司), a company incorporated in the PRC, which is an indirect wholly-owned subsidiary of Waykon (China) Co., Ltd. (匯港(中國)有限公司), a company incorporated in Hong Kong which, based on information available in the public domain as at the Latest Practicable Date, is wholly-owned by Mercystone Limited, a company incorporated in the British Virgin Islands. No information about the shareholders of Mercystone Limited has been revealed based on public searches. Based on enquiries made with the Landlord PP, the ultimate beneficial owners of the Landlord PP, are Mr. Ye Yingqiang (葉英強), Mr. Yao Yongsheng (姚永昇) and Mr. Chen Zhenhua (陳振華), who indirectly hold in aggregate 100% of the equity interest in the Landlord PP
"Landlords"	Landlord PP, Landlord OP and Landlord HZ
"Latest Practicable Date"	29 November 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Leasing Area"	being the area of the premises leased by the Landlord HZ to AEON SC which area is measured and calculated by reference to the actual construction area of the commercial building occupied by AEON SC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Offer Letter"	the offer letter dated 11 October 2023 in respect of the Existing PP Premises conditionally entered into by AEON GD and the Landlord PP
"OP Supplemental Agreement"	The supplemental lease agreement dated 26 November 2024 signed by AEON GD and the Landlord OP
"PP, OP and HZ Supplemental Agreements"	The PP Supplemental Agreement, the OP Supplemental Agreement and the HZ Supplemental Agreements
"PP Supplemental Agreement"	The supplemental lease agreement dated 6 November 2024 signed by AEON GD and the Landlord PP
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Premises HZ"	The newly converted commercial parts on the 4th floor of the commercial building to be handed over by the Landlord HZ to AEON SC pursuant to the Second HZ Supplemental Agreement
"Premises OP"	Portions of the commercial property on the First and Second Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No.81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, China* (中國廣東省佛山市禪城區錦華路81號"佛山市東方廣場"銀州城裙樓一至二層部分商場) with a total lease area of approximately 11,942.71 square metres
"Premises PP"	the new area being portion of commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業) which is adjacent to the Existing PP Premises and with a total lease area of approximately 2,417.53 square metres
"Rental Area"	being the area of the premises which will be adopted in calculating the rent and management fees payable by AEON SC to the Landlord HZ after taking into account actual usage of the area and the mutually agreed percentage for purposes of calculating rent and management, e.g. the rental area for loading area is calculated at 50% of its leasing area.

"Second HZ Supplemental Agreement"	the second supplemental lease agreement dated 26 November 2024 signed by AEON SC and the Landlord HZ
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holders of the shares of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surrendered PP Portion"	comprising certain portions of Basement 1 and Basement 2 of Tianhuicheng Plaza with an aggregate floor area of approximately 10,884.5 square metres
"Surrendered OP Portion"	portion of the commercial property on the Third Floor of the podium building of Yinzhoucheng, Foshan Oriental Plaza* ("佛山市東方廣場"銀州城裙樓三層部分商場) with an aggregated floor area of approximately 11,187.29 square metres
"%"	per cent.

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

AEON STORES (HONG KONG) CO., LIMITED
永旺（香港）百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

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

Non-executive Directors:
Mr. Toshiya GOTO *(Chairman)*
Mr. Hiroyuki INOHARA
Mr. Kenji FUJITA
Mr. Yasutoshi YOKOCHI

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

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

6 December 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS IN RELATION TO THE PP, OP AND HZ SUPPLEMENTAL AGREEMENTS

INTRODUCTION

Reference is made to the announcements of the Company dated 6 November 2024 and 26 November 2024 in relation to, among other things, the PP, OP and HZ Supplemental Agreements.

The purpose of this circular is to provide you with (i) the details of the PP, OP and HZ Supplemental Agreements; (ii) the valuation of the leasehold interests of the PP Premises, OP Premises and HZ Premises and (iii) the general and financial information of the Group.

THE PP SUPPLEMENTAL AGREEMENT

Reference is made to the company's announcement dated 11 October 2023 and circular dated 16 October 2023 in relation to the Offer Letter entered into between AEON GD and the Landlord PP by which AEON GD surrendered the Surrendered PP Portion to the Landlord PP and renewed the tenancy in respect of the Existing PP Premises. Reference is also made to the Company's announcement dated 31 October 2023 in relation to the poll results of extraordinary general meeting that the Offer Letter and the transactions contemplated thereunder were approved unanimously by all attending Shareholders.

On 6 November 2024, AEON GD, as tenant, and the Landlord PP, as landlord, have conditionally entered into the PP Supplemental Agreement to lease the Premises PP (adjacent to but without any overlapping with the Existing PP Premises) commencing from 7 November 2024 and ending on 31 October 2039. The Premises PP and the Existing PP Premises have been leased by AEON GD from the Landlord PP since 25 September 2009 for operating its retail businesses therein.

The principal terms of the PP Supplemental Agreement are as follows:

Date:	6 November 2024
Parties:	(a) AEON GD, as tenant; and (b) the Landlord PP, as landlord
Premises PP:	Portions of a commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業)
Total lease area:	The total lease area for Premises PP is approximately 2,417.53 square metres
Handover:	The Premises PP will be handed over to AEON GD in an "as-is" condition on 7 November 2024
Lease term:	Commencing from 7 November 2024 and ending on 31 October 2039 (both dates inclusive) in respect of the Premises PP

Rent and management fees for the lease term:	The total rent (including tax) payable for the lease term under the PP Supplemental Agreement is approximately RMB47.7 million (exclusive of management fees, other charges, and outgoings). The monthly rent payable for the 1st month of the term of tenancy is approximately RMB174,000, that payable for the 2nd to 6th month is approximately RMB217,000 that payable for the 7th to 30th month is approximately RMB228,000 and then it increases at an increment rate of approximately 5% every 2 years. The total management fees and air-conditioning charges (including tax) payable for the lease term under the PP Supplemental Agreement is approximately RMB12.2 million. The monthly management fees and air-conditioning charges for the first year is approximately RMB0.70 million which increases in the 31st, 67th, 103rd and 139th months by an incremental rate of 3.85%, 3.70%, 3.57% and 3.45% respectively. The rent, management fees and air-conditioning charges are payable by AEON GD to the Landlord PP on a monthly basis within 10 business days upon receipt of a VAT invoice from the Landlord PP (which shall be provided by the Landlord PP no later than the 10th day of the relevant month). The rents and management fees for the lease term under the PP Supplemental Agreement have both been determined after arm's length negotiations between AEON GD and the Landlord PP, after taking into consideration (i) the prevailing market rent and management fees for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises PP, (ii) the potential inflations and (iii) the long tenure under the PP Supplemental Agreement running concurrently with the Existing PP Lease Agreement.

In determining the prevailing market rent and management fees for comparison, the Group had conducted market research, such as obtaining lease transactions/quotations from open source of properties of similar usage (i.e. retail stores) within the Tianhe District. As the unit rates for rent and management fees payable by AEON GD throughout the long lease term of the PP Supplemental Agreement are within the range of market rent and management fees levels in the referenced lease transactions considered by the Company and the prime location of the Premises PP (being situated near the East Railway Station which is a major transportation hub with both local and cross-city trains and high foot-traffic volume), the Company is of the view that the rent and management fees payable under the PP Supplemental Agreement are no less favourable to the Group compared to prevailing market rent and management fees. For illustrative purposes, according to statistics for the year 2023 published by the Guangzhou Municipal Housing and Urban-Rural Development Bureau* (廣州市住房和城鄉建設局), the monthly unit rates for rent (per square metre) for the shopping mall where the Premises PP are located were 5.3x and 3.8x the unit rates for rent payable by AEON GD under PP Supplemental Agreement with respect to the first and last year of the lease term, respectively. The Company also noted that, for reference purposes, the monthly rent (on the same exclusive of tax basis) for the first 102 months is lower than the monthly rent of RMB254,000 as at 30 September 2024 as set out in the valuation report on page II-6 in Appendix II to this circular. Taking into account all the above factors, the Company is of the view that the rent is fair and reasonable and on normal commercial terms.

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

Usage:	For AEON GD's operation of a retail store in the name of "AEON" and "永旺"
Rent free period:	AEON GD is entitled to a rent-free period from 7-21 November 2024 during which period no rent, management fees and air-conditioning fees is payable

Additional signages:	The Landlord PP further provides AEON GD with three new advertising signage
Condition precedent:	The PP Supplemental Agreement shall become effective upon the Company's (i) obtainment of Shareholders' approval for the PP Supplemental Agreement and (ii) compliance with all applicable requirements under the Listing Rules. Within 5 days of fulfillment of this condition precedent, AEON GD shall notify the Landlord PP of the same in writing.
Other terms and conditions	Unless otherwise agreed to in the PP Supplemental Agreement (i.e. the addition of Premises PP, its lease term, rent, management fees and air-conditioning charges and the additional signages), the terms and conditions contained in the Existing PP Lease Agreement (which are in respect of the Existing PP Premises) shall remain unchanged

For reference purpose, the principal terms of the Existing PP Lease Agreement are summarized as follows:

Date:	31 October 2023
Parties:	(a) AEON GD, as tenant; and (b) the Landlord PP, as landlord
Lease term:	Commencing from 7 May 2024 and ending on 31 October 2039 (both dates inclusive)
Existing PP Premises:	Portions of a commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市天河區東站天匯城廣場負二層部分商業物業) with a total lease area of approximately 16,157.85 square metres. In addition, the Landlord PP will also provide certain areas in Basement 1 in the area of approximately 117.31 square metres for AEON GD's use as garbage room & cleaning room.

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

THE OP SUPPLEMENTAL AGREEMENT

On 26 November 2024, AEON GD, as tenant, and the Landlord OP, as landlord, have entered into the OP Supplemental Agreement, being a renewal agreement in nature, to renew the lease of the Premises OP commencing from 1 January 2026 and ending on 31 March 2035. The Existing OP Premises have been leased by AEON GD from the Landlord OP since 30 September 2002 for operating its retail businesses therein. The Existing OP Lease Agreement expires on 31 December 2025.

The principal terms of the OP Supplemental Agreement are as follows:

Date:	26 November 2024
Parties:	(a) AEON GD (as tenant); and (b) the Landlord OP (as landlord)

Existing OP Premises:	Portions of the commercial property on the First, Second and Third Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No.81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, China* (中國廣東省佛山市禪城區錦華路81號“佛山市東方廣場”銀州城裙樓一至三層部分商場) with a total lease area of approximately 23,130 square metres
Partial surrender:	AEON GD shall vacate from and handover the Surrendered OP Portion to the Landlord OP on 1 April 2025 in the “as-is” condition. As the Company will derecognize the right-of-use asset arising from the partial surrender of the Surrendered OP Portion, the partial surrender will be regarded as a disposal of the right-of-use assets by the Group. After the partial surrender, the Premises OP will continue to be governed under the Existing OP Lease Agreement until the end of its existing lease term on 31 December 2025.
Premises OP:	Portions of the commercial property on the First and Second Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No.81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, China* (中國廣東省佛山市禪城區錦華路81號“佛山市東方廣場”銀州城裙樓一至二層部分商場).
Total lease area:	The total lease area for Premises OP is approximately 11,942.71 square metres.
Renewal lease term:	A total of 111 months commencing from 1 January 2026 and ending on 31 March 2035 (both dates inclusive) in respect of the Premises OP.

Rent and management fees for the lease term:

The total rent (including tax) payable for the extended lease term under the OP Supplemental Agreement is approximately RMB56.10 million (exclusive of management fees, other charges, and outgoings). The monthly rent (including tax) payable for the first 51 months is approximately RMB501,000, which represents a decrease of 12.4% from the monthly rent payable in the last year of the lease term under the Existing OP Lease Agreement, and that for the subsequent 60 months is approximately RMB525,000. The average monthly rent (including tax) for the 111 months in this renewal lease term is approximately RMB505,000.

The total management fees (including tax) payable for the lease term under the OP Supplemental Agreement is approximately RMB38.4 million which is inclusive of air-conditioning charges. The monthly management fees is approximately RMB0.35 million throughout the extended lease term and remains at the same rate as that under the Existing OP Lease Agreement.

The rent being payable by AEON GD to the Landlord OP on a monthly basis within first 10 days of a relevant month.

The rents and management fees for the renewal lease term under the OP Supplemental Agreement have both been determined after arm's length negotiations between AEON GD and the Landlord OP, after taking into consideration (i) the prevailing market rent and management fees for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises OP, (ii) the existing rental (including the rate of annual rental increment) under the Existing OP Lease Agreement, (iii) the potential inflations and (iv) the long tenure under the OP Supplemental Agreement.

In determining the prevailing market rent and management fees for comparison, the Group had conducted market research, such as obtaining lease transactions/quotations from open source of properties of similar usage (i.e. retail stores) within the Foshan City. As the unit rates for rent and management fees payable by AEON GD throughout the long lease term of the OP Supplemental Agreement are within the range of market rent and management fees levels in the referenced lease transactions considered by the Company, in particular taking into consideration (i) the unit rate for rent under the OP Supplemental Agreement represents a fair downward adjustment from the existing rental under the Existing OP Lease Agreement, and the prime location of the Premises OP, the Company is of the view that the rent and management fees payable under the OP Supplemental Agreement are no less favourable to the Group compared to prevailing market rent and management fees. For illustrative purposes, according to statistics assessed on 31 October 2023 published by the Guangzhou Housing and Urban-Rural Development Bureau* (廣州市住房和城鄉建設局), the monthly unit rates for rent (per square metre) for the shopping mall where the Premises OP are located were 1.9x and 1.8x the unit rates for rent in respect of the First Floor of the Premises OP and were 1.4x and 1.4x the unit rates for rent in respect of the Second Floor of the Premises OP payable by AEON GD under OP Supplemental Agreement with respect to the first and last year of the lease term, respectively. The Company also noted that, for reference purposes, the average monthly rent for the renewal lease term (on the same exclusive of tax basis, i.e. in the sum of RMB481,000) is slightly lower than the monthly rent of RMB502,000 as at 30 September 2024 as set out in the valuation report on page II-10 in Appendix II to this circular. Taking into account all the above factors, the Company is of the view that the rent is fair and reasonable and on normal commercial terms.

	The rent and management fees payments will be satisfied by internal resources of the Group.
Rent free period:	AEON GD is entitled to a 3-month rent-free period and no rent is payable in the months of April 2025, April 2026 and April 2027. The rent-free period is granted in support of AEON GD's renovation works to take place within two years from signing of the OP Supplemental Agreement so should AEON GD fail to carry out the renovation, AEON GD should pay the monthly rent in respect of the rent-free period.
Deposit:	In the sum of RMB1 million and as AEON GD paid a deposit of RMB2.08 million, the Landlord OP shall refund a balance of RMB1.08 million to AEON GD on or before 1 April 2025.
Other terms and conditions	Unless otherwise agreed to in the OP Supplemental Agreement (i.e. the partial surrender, the renewal lease term, rent, management fees and reduction in deposit), the other terms and conditions contained in the Existing OP Lease Agreement shall remain unchanged

For reference purpose, the principal terms of the Existing OP Lease Agreement are summarized as follows:

Date:	30 September 2002 as supplemented by supplemental agreements dated 28 August 2004 and 28 June 2015 and contract number "GDA-開發-2021026".
Parties:	(a) AEON GD (as tenant); and (b) the Landlord OP (as landlord)
Existing lease term:	Currently extended from 1 January 2016 to 31 December 2025 (first commencing on 1 September 2004 and expiring on 31 December 2015)
Usage	For AEON GD's operation of a large shopping mall, including AEON GD's scope of businesses set out in its business licence and as approved by the relevant government departments

The following terms of the Existing OP Lease Agreement are supplemented by the OP Supplemental Agreement.

Existing OP Premises:	Portions of the commercial property on the First, Second and Third Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No.81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, China*（中國廣東省佛山市禪城區錦華路81號“佛山市東方廣場”銀州城裙樓一至三層部分商場）with a total lease area of approximately 23,130 square metres
Rent and management fees:	The total rent (including tax) payable for the current lease term under the Existing OP Lease Agreement is approximately RMB138.3 million (exclusive of management fees, other charges, and outgoings). The total management fees (including tax) payable for the lease term under the Existing OP Lease Agreement is approximately RMB77.6 million which is inclusive of air-conditioning and cesspool usage fees.
Deposit:	In the sum of approximately RMB2.08 million.

THE HZ SUPPLEMENTAL AGREEMENTS

Reference is made to the Company’s announcement dated 8 July 2020 and circular dated 18 September 2020 in relation to the Existing HZ Lease Agreement entered into between AEON SC and the Landlord HZ in respect of the Existing HZ Premises for a term of eleven years commencing from 27 November 2023 and ending on 26 November 2034.

On 26 November 2024, AEON SC, the wholly-owned subsidiary of the Company, as tenant, and the Landlord HZ, as landlord, have conditionally entered into the First HZ Supplemental Agreement to confirm the leasing area which is reduced as compared to the leasing area under the Existing HZ Lease Agreement (without any change to the rental unit rates as agreed to by the parties in the Existing HZ Lease Agreement) and have conditionally entered into the Second HZ Supplemental Agreement to lease the Premises HZ in addition to the Existing HZ Premises for a term from 27 November 2024 to 26 November 2034 (at the same rental unit rates as agreed to by the parties in the Existing HZ Lease Agreement). The Premises HZ was newly converted into commercial use by the Landlord HZ and is adjacent to (but without any overlapping with) the Existing HZ Premises. The Existing HZ Premises have been leased by AEON SC from the Landlord HZ since 2007 for operating its retail businesses therein.

For reference purpose, the principal terms of the Existing HZ Lease Agreement are summarized as follows:

Date:	8 July 2020
Parties:	(a) AEON SC, as tenant; and (b) the Landlord HZ, as landlord
Lease term:	From 27 November 2023 and ending on 26 November 2034 (both days inclusive)
Payment terms:	AEON SC shall pay the monthly rent and management fees to the Landlord HZ in advance before the 10th day of each month while the Landlord HZ shall provide the VAT invoice before the 5th day of each month. If the deadline for payment falls on a public holiday, the rent should be due on the next day following the public holiday.
Usage:	For AEON SC's commercial use, including its own operation (or the operation by its licensees or assigns) of general merchandise store, shopping mall, supermarket, food centre and others.

The following terms of the Existing HZ Lease Agreement are supplemented by the HZ Supplemental Agreements.

Existing HZ Premises:	Commercial parts on the 1st to 5th Floors, loading area on the 1st floor of the basement and the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor of the commercial building in the 8th district of Donghu Garden, Huicheng District, Huizhou City, Guangdong Province, China* (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓地面一層至五層商業部分、地下一層卸貨區及地下一層、地下二層、地面六層的設備用房) with a tentative Lease Area of 70,886m^2 and a tentative Rental Area of 68,845m^2, Provided that (i) the Rental Areas for loading area on the 1st floor of the basement the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor should be calculated at 50% of the respective Lease Areas and (ii) the commercial parts on the 4th and 5th Floors were pending restoration and are not taken into account.

Rent and management fees:	The total rent (excluding tax) payable under the Existing HZ Lease Agreement during the term is approximately RMB585 million exclusive of management fees, other charges and outgoings. The monthly rent payable for the first year of the lease term is approximately RMB3.80 million which increases at an annual increment rate of approximately 3%. For reference purposes, the monthly rent payable for the first year of the lease term (being on the same exclusive of tax basis) was lower than the monthly rent of RMB4,300,000 as at 8 July 2020 as set out in the valuation report in Appendix II to the Company's circular dated 18 September 2020. The total management fees (excluding tax) payable during the term is approximately RMB59.95 million. The monthly management fees payable for the first year of the lease term is approximately RMB0.39 million which increases at an annual increment rate of approximately 3%.
Deposit:	A deposit in the amount equals to 3 times of the sum of the rent and management payable in the first month of the term of the Existing HZ Lease Agreement shall be payable by AEON SC 30 working days before 27 November 2023.

The principal terms of the First HZ Supplemental Agreement are as follow:

Date:	26 November 2024
Parties:	(a) AEON SC, as tenant; and (b) the Landlord HZ, as landlord

Reduction in area:	The tentative Leasing Area of 70,886m^2 and tentative Rental Area of 68845m^2 for the Existing HZ Premises were stated to be subject to final measurements in the Existing HZ Lease Agreement. Both parties have finally confirmed the Leasing Area for the Premises to be 67,449.45m^2 (reduced by 3,436.55m^2) and the Rental Area for the Premises to be 65,251.23m^2 (reduced by 3,593.77m^2) in the First HZ Supplemental Agreement which areas shall apply throughout the term of the tenancy created under the Existing HZ Lease Agreement, i.e. from 27 November 2023 and ending on 26 November 2034. The areas for the loading area and the commercial elevators/escalators lobby on 1st floor of the basement and the storage on 4th floor of the commercial building are confirmed to be 2,311.62m^2 and 371.61 m^2 respectively. The 5th floor of the commercial building, the area of which was not taken into account in the Leasing Area nor the Rental Area stated in the Existing HZ Lease Agreement (i.e. 0.00 m^2 for both Leasing Area and Rental Area), is returned to the Landlord HZ for its own business operation effective from 27 November 2023, in the Existing HZ Lease Agreement.
Premises after the reduction:	The Existing HZ Premises is redefined as commercial parts on the 1st to 3rd Floor, portions of commercial part on the 4th floor, loading area on the 1st floor of the basement, commercial elevators/escalators hall, the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District Huizhou City, Guangdong Province, China* (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓地面一層至三層商業部分、地面四層部分商業部分、地下一層卸貨區及商業電／扶梯廳以及地下一層、地下二層、地面六層的設備用房) The Leasing Areas of each part of the premises are as follows:

Premises	Leasing Area (approx. ’000 m^2)
commercial parts on the 1st Floor	19.5
commercial parts on the 2nd Floor	20.0
commercial parts on the 3rd Floor	19.5
commercial parts on the 4th floor	3.9
loading area 1st floor of basement	0.7
commercial elevators/escalators hall	0.1
equipment rooms, 1st floor of basement	2.1
equipment rooms, 2nd floor of basement	1.2
equipment rooms, 6th floor	0.3
(allotted sharing of commercial area)	0.2
Total=	67.5

Rent and management fees: AEON SC shall pay the rent and management fees in accordance with (i) the same rental unit rates as agreed to in the Existing HZ Lease Agreement, i.e. no change to the rental unit rates, and (ii) the Rental Area as agreed to in the First HZ Supplemental Agreement, i.e. the reduced area of 65,251.23m^2. In view of the reduction in areas (even though no change to the rental unit rates as agreed to by the parties in the Existing HZ Lease Agreement), subject to the condition precedent, the monthly rent and monthly management fees payable for the first year of the lease term will be reduced to approximately RMB3,620,000 and RMB369,000 respectively, both of which are subject to the annual increment rate of approximately 3% as agreed to in the Existing HZ Lease Agreement.

Subject to the condition precedent, with retrospective effect from 27 November 2023, (i) in respect of the loading area and the commercial elevators/escalators lobby on the 1st floor of basement, the unit rent payable shall be reduced to RMB5.00 per square meter per month (representing approximately an 83% reduction in its unit rent in the first year of the lease term) and no management fees is payable; (ii) in respect of the storage on the 4th Floor of the commercial building, the unit rent payable shall be reduced to RMB15.00 per square meter per month (representing approximately an 48% reduction in its unit rent in the first year of the lease term) and no management fees is payable. Where the said storage on the 4th floor of the commercial building is converted into commercial use, the unit rates for rent and management fees as agreed to in the Existing HZ Lease Agreement for the corresponding period shall apply.

Prior to the above reductions being effective, AEON SC has, since 27 November 2023, been paying rent at the agreed unit rent and full management fees in respect of these areas in accordance with the Existing HZ Lease Agreement. On fulfillment of the condition precedent, the Landlord HZ shall refund the excess payments of rents and management fees to AEON SC which is subject to verification with the Landlord HZ after fulfillment of the condition precedent.

The rents and management fees payable under the First HZ Supplemental Agreement are based on (i) the Rental Area confirmed by AEON SC and Landlord HZ under the First HZ Supplemental Agreement with reference to measurement and usage of the actual areas comprising the Existing HZ Premises after the reduction and (ii) the unit rates for rent and management fees under the Existing HZ Lease Agreement which was negotiated by AEON SC and Landlord HZ on arms length basis and disclosed by the Company in its circular dated 18 September 2020.

The rents and management fees for the lease term under the First HZ Supplemental Agreement have both been determined after arm's length negotiations between AEON SC and the Landlord HZ, after taking into consideration (i) the prevailing market rent and management fees for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Existing HZ Premises, (ii) the existing rental (including the rate of annual rental increment) under the Existing HZ Lease Agreement, (iii) the potential inflations and (iv) the long tenure under the First HZ Supplemental Agreement. For illustrative purposes, according to statistics titled "Housing market rental standards in Huicheng District"* (惠城區房屋市場租金標準) available currently and published by the office of the People's Government of the Huicheng District, Huizhou City on 31 July 2022, the monthly unit rates for rent (per square metre) for the shops on the first floor where the Existing HZ Premises are located were 2.2x and 1.7x the unit rates for rent payable by AEON SC under the First HZ Supplemental Agreement with respect to the first and last month of the lease term, respectively. For reference purposes, the Company also note that the monthly rent (being on the same exclusive of tax basis and being reduced from that payable under the Existing HZ Lease Agreement) payable for the first year of the lease term was also lower than the monthly rent of RMB4,300,000 as at 8 July 2020 as set out in the valuation report in Appendix II to the Company's circular dated 18 September 2020. Further, since (i) the same rental unit rates are applied in both the First HZ Supplemental Agreement and the Second HZ Supplemental Agreement and (ii) the monthly rent under the Second HZ Supplemental Agreement (being calculated on the same unit rates) payable for the first six years of the lease term thereunder was lower than the monthly rent assessed as at 30 September 2024 as set out in the valuation report on page II-14 in Appendix II to this circular, the rental unit rates agreed to in the First HZ Supplemental Agreement is no less favourable than the market rents. The Company is of the view that the rent and management fees payable under the First HZ Supplemental Agreement are fair and reasonable and on normal commercial terms.

	The consideration will be satisfied by internal resources of the Group.
Deposit:	In respect of the Existing HZ Premises, the amount of deposit is confirmed to be in the sum of approximately RMB12.5 million, of which a sum of approximately RMB6.7 million paid by AEON SC pursuant to the lease agreement preceding the Existing HZ Lease Agreement will be transferred to be part of the deposit payable under the Existing HZ Lease Agreement and the balance in the sum of approximately RMB5.8 million shall be payable by AEON SC within 5 working days from the effective date of the First HZ Supplemental Agreement.
Condition precedent:	The First HZ Supplemental Agreement shall become effective upon the Company's (i) obtainment of Shareholders' approval for the First HZ Supplemental Agreement and (ii) compliance with all applicable requirements under the Listing Rules. Within 5 days of fulfillment of this condition precedent, AEON SC shall notify the Landlord HZ of the same in writing.
Other terms	Unless otherwise agreed to in the First HZ Supplemental Agreement (i.e. the reduction in area, description of premises, rent & management fees reduction for loading area, commercial elevator/escalators lobby and storage area and the deposit mentioned above), the terms and conditions in the Existing HZ Lease Agreement, as set out above, shall continue in effect

The principal terms of the Second HZ Supplemental Agreement are as follow:

Date:	26 November 2024
Parties:	(a) AEON SC, as tenant; and (b) the Landlord HZ, as landlord

Premises HZ:	Portion of the 4th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District Huizhou City, Guangdong Province, China* (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓地面四層部分) with a Leasing Area of 10,557.58m^2 and a Rental Area of 9,429.65m^2 which is in addition to the Existing HZ Premises (after the reduction) and shall form part of the leased premises commencing from the handover date of the Premises HZ by the Landlord HZ to AEON SC.
Handover condition:	The Premises HZ shall be handed over to AEON SC completed with the items of works which the Landlord HZ is responsible for in accordance with the installation works allocation table agreed to by the parties. Since the Landlord HZ has completed all the items of works, the Premises HZ is handed over 27 November 2024.
Lease term:	From 27 November 2024 and ending on 26 November 2034 (both days inclusive).
Rent and management fees:	AEON SC shall pay the rent and management fees in accordance with (i) the same rental unit rates as agreed to in the Existing HZ Lease Agreement, i.e. no change to the rental unit rates, and (ii) the Rental Area as agreed to in the Second HZ Supplemental Agreement. The rent and management fees are payable from the earlier of 27 November 2024 or AEON SC's business commencement. The monthly rent and monthly management fees (exclusive of tax) payable for the first year of the lease term under the Second HZ Supplemental Agreement are approximately RMB520,000 and RMB53,000 respectively, both of which are subject to the annual increment rate of approximately 3% as agreed to in the Existing HZ Lease Agreement.

The rents and management fees have both been determined after arm's length negotiations between AEON SC and the Landlord HZ, after taking into consideration (i) the prevailing market rent and management fees for comparable premises (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises HZ, (ii) the existing rental (including the rate of annual rental increment) under the Existing HZ Lease Agreement, (iii) the potential inflations and (iv) the long tenure under the Second HZ Supplemental Agreement running concurrently with the Existing HZ Lease Agreement. For illustrative purposes, according to statistics titled "Housing market rental standards in Huicheng District"* (惠城區房屋市場租金標準) available currently and published by the office of the People's Government of the Huicheng District, Huizhou City on 31 July 2022, the monthly unit rates for rent (per square metre) for the shops on the first floor where the Premises HZ are located were 2.2x and 1.7x the unit rates for rent payable by AEON SC under the Second HZ Supplemental Agreement with respect to the first and last month of the lease term, respectively. For reference purposes, the Company also note that the monthly rent (being on the same exclusive of tax basis) payable for the first six years of the lease term was also lower than the monthly rent of RMB621,000 as at 30 September 2024 as set out in the valuation report on page II-14 in Appendix II to this circular. The Company is of the view that the rent and management fees payable under the Second HZ Supplemental Agreement are fair and reasonable and on normal commercial terms.

The consideration will be satisfied by internal resources of the Group.

Payment terms: AEON SC shall pay the monthly rent and management fees to the Landlord HZ in advance before the 10th day of each month while the Landlord HZ shall provide the VAT invoice before the 5th day of each month.

Deposit: In respect of the Premises HZ, the deposit is in the sum of approximately RMB1.8 million payable within 5 days from the effective date of the Second HZ Supplemental Agreement.

Condition precedent:	The Second HZ Supplemental Agreement shall become effective upon the Company's (i) obtainment of Shareholders' approval for the Second HZ Supplemental Agreement and (ii) compliance with all applicable requirements under the Listing Rules. Within 5 days of fulfillment of this condition precedent, AEON SC shall notify the Landlord HZ of the same in writing.
Other terms	Unless otherwise agreed to in the Second HZ Supplemental Agreement (i.e. the addition of Premises HZ, its handover, its rent, its management fees and its deposit), the terms and conditions in the Existing HZ Lease Agreement, as set out above, shall continue in effect

INFORMATION ON THE PARTIES

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

The Landlord PP is principally engaged in property investment.

The Landlord OP is principally engaged in property development, investment and management.

The Landlord HZ is principally engaged in the development, lease and sale of residential buildings, commercial buildings, business apartments and supporting facilities.

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

REASONS FOR AND BENEFITS OF THE PP, OP AND HZ SUPPLEMENTAL AGREEMENTS

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

The Existing PP Premises together with the Premises PP have been leased by the AEON GD from the Landlord PP since September 2009 for operating its retail businesses therein. During the negotiation for the Existing PP Lease Agreement, the Landlord PP had different plans for the Premises PP and required AEON GD to surrender it as part of the Surrendered PP Portion. Different from the other parts of the Surrendered PP Portion, the Premises PP and the Existing PP Premises are adjacent areas without partition walls and form a unified and sizeable sales area which encompass a large flexibility in carrying out a variety of retailing activities and promotions. After further persuasions and negotiations with the Landlord PP, AEON GD is able to renew the Premises PP for a leasing term corresponding to that of the Existing PP Lease Agreement.

The Existing OP Premises have been leased by AEON GD from the Landlord OP since September 2002 for operating its retail businesses therein. The Existing OP Lease Agreement was due to expire on 31 December 2025. In order to capture the market opportunity, AEON GD and the Landlord OP have entered in the OP Supplemental Agreement to extend lease term and modify the Existing OP Premises of the Existing OP Lease Agreement. The partial surrender of the Surrendered OP Portion for the last nine months of the Existing OP Lease Agreement would lead to a decrease in the total lease area and in turn a decrease in the scale of business operation in the Existing OP Premises. However, AEON GD is able to take the opportunity to enhance its operational efficiency by streamlining and consolidating its efforts on the parts of the retail businesses with better historical performance. The partial surrender is not expected to have any material effect on the overall operation of the Group's retail business.

The Existing HZ Premises have been leased by AEON SC from the Landlord HZ since 2007 for operating its retail business therein. AEON SC and the Landlord HZ entered into the Existing HZ Lease Agreement to extend the lease term to 26 November 2034. By the First HZ Supplemental Agreement, the Landlord HZ confirmed the reduced Lease Area and Rental Area which are beneficial to AEON SC. Since the Landlord HZ has converted the Premises HZ into commercial use which is adjacent to the Existing HZ Premises on the same floor, the Premises HZ may extend AEON SC's retailing area on that floor and allow AEON SC to enrich its retail activities with the newly leased area.

The terms of the PP, OP and HZ Supplemental Agreements, including the rental charge, were determined after arm's length negotiations between the relevant parties and with reference to the respective prevailing market price for comparable properties and the respective existing rental under the Existing PP Lease Agreement and Existing HZ Lease Agreement. The entering into of the PP, OP and HZ Supplemental Agreements is (i) necessary for the operation of the retail businesses of the Group and (ii) in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the PP, OP and HZ Supplemental Agreements (and the transactions contemplated thereunder) are on normal commercial terms and are fair and reasonable and the entering into of the PP, OP and HZ Supplemental Agreements (and the transactions contemplated thereunder) is in ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE PP, OP AND HZ SUPPLEMENTAL AGREEMENTS

In accordance with HKFRS 16 "Leases", the entering into of the PP, OP and HZ Supplemental Agreements respectively by AEON GD and AEON SC as tenant will require the Group to recognise the right-of-use assets arising from the extension of lease terms created thereunder. Set out below is the accounting treatment of the Group in relation to the right-of-use asset:

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

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

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

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

Based on the above accounting treatment, the values of the right-of-use assets to be recognised by the Group under:

(i) in respect of tenancy terms under the PP Supplemental Agreement, the values of the right-of-use assets to be recognised by the Group amounted to approximately RMB33.9 million;

(ii) in respect of the partial surrender and the renewal of tenancy terms under the OP Supplemental Agreement, the values of the right-of-use assets to be derecognized and recognised by the Group amounted to approximately RMB3.9 million and RMB44.8 million respectively; and

(iii) in respect of the reduction in areas and the addition of the Premises HZ under the HZ Supplemental Agreements, the values of the right-of-use assets to be derecognized and recognised by the Group amounted to approximately RMB13.9 million and RMB53.4 million respectively.

As a result, upon entering into of the PP, OP and HZ Supplemental Agreements:

(i) the Group's total consolidated assets are estimated to increase by approximately RMB114.3 million upon (i) derecognition of right-of-use assets due to partial surrender and reduction in areas of approximately RMB3.9 million and RMB13.9 respectively and (ii) the initial recognition of right-of-use assets due to the tenancy terms created under the PP, OP and HZ Supplemental Agreements; and

(ii) the Group's total consolidated liabilities are estimated to increase by approximately RMB114.9 million upon (i) reduction of lease liabilities due to partial surrender and reduction of areas of approximately RMB5.8 million and RMB9.9 million respectively and (ii) the initial recognition of lease liability as a result of the tenancy terms created under the PP, OP and HZ Supplemental Agreements.

As a result of the partial surrender and the reduction of areas, the Group is expected to recognize a one-off loss of approximately RMB2.1 million as a result of the disposal, calculated based on the off-setting of the book value of (i) the lease liabilities (in the amount of approximately RMB15.7 million) and (ii) the right-of-use asset in respect of the surrendered portion (in the amount of approximately RMB17.8 million) upon execution of the OP and HZ Supplemental Agreements.

The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, with annual depreciation charges amounting to approximately RMB2.3 million, RMB4.8 million and RMB3.9 million for the PP, OP and HZ Supplemental Agreements respectively. Interest expenses on the lease liabilities will be recognised at the incremental borrowing rate of the Group, which is estimated at approximately 4.1051%, 4.1029% and 6.46% per annum for the PP, OP and HZ Supplemental Agreements respectively, and is expected to amount to approximately RMB204.6 million in aggregate. After the commencement date of the leases, the lease liabilities are adjusted by interest accretion and lease payments. The Group's earnings are expected to experience a decrease due to the aggregate effect of the depreciation charge on the right-of-use asset and the interest expenses on the lease liabilities.Given the loss arising from the Partial Surrender will be one-off and recognized upon execution of the OP and HZ Supplemental Agreements, the Company does not expect the one-off loss to have a material impact on the Group's future earnings.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 "Leases", the entering into of the PP Supplemental Agreement by AEON GD as tenant will require the Group to recognise the right-of-use asset arising from the tenancy terms created thereunder. Therefore, the entering into of the PP Supplemental Agreement will be regarded as acquisitions of assets by the Group under the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the PP Supplemental Agreement amounted to approximately RMB33.9 million. The entering into of the OP Supplemental Agreement by AEON GD as tenant will require the Group to derecognise the right-of-use asset arising from the partial surrender and to recognise the additional right-of-use asset arising from the tenancy terms created thereunder. Therefore, the entering into of the OP Supplemental Agreement will be regarded as a disposal and an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets derecognised and recognised by the Group under the OP Supplemental Agreement in respect of the disposal and the acquisition amounted to approximately RMB3.9 million and approximately RMB44.8 million respectively. The entering into of the HZ Supplemental Agreements by AEON SC as tenant will require the Group to derecognise the right-of-use asset arising from the reduction in area and to recognise the additional right-of-use asset arising from the tenancy terms created thereunder. Therefore, the entering into of the HZ Supplemental Agreements will be regarded as a disposal and an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets derecognised and recognised by the Group under the HZ Supplemental Agreements in respect of the disposal and the acquisition amounted to approximately RMB13.9 million and approximately RMB53.4 million respectively.

Since the OP and the HZ Supplemental Agreements involve both a disposal and an acquisition, pursuant to Rule 14.24 of the Listing Rules, the transactions under the OP and HZ Supplemental Agreements are classified by reference to the larger of the disposal or the acquisition.

As the highest applicable percentage ratio under the Listing Rules in respect of the disposal of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the partial surrender and the reduction of areas is less than 5%, the disposal of right-of-use asset (as a result of the entering into of the OP Supplemental Agreement) does not constitutes a notifiable transaction under chapter 14 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of the disposal of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the partial surrender and the reduction of areas is more than 5% but is less than 25%, the disposal of right-of-use asset (as a result of the entering into of the HZ Supplemental Agreements) constitutes a discloseable transaction for the Company. As the highest applicable percentage ratio under the Listing Rules in respect of the acquisitions of right-of-use asset to be recognised by the Group pursuant to HKFRS 16 based on the respective considerations under each of the PP, OP and HZ Supplemental Agreements is 25% or more but is less than 100%, each of the PP, OP and HZ Supplemental Agreements shall constitute a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the PP, OP and HZ Supplemental Agreements and the transactions contemplated thereunder. As such, no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting for approving the PP, OP and HZ Supplemental Agreements. The Company has obtained written approval from AEON Co, which holds 155,760,000 issued ordinary shares of the Company (representing 59.91% of its entire issued share capital as at the Latest Practicable Date). As such, the Company is exempted from convening a general meeting to approve the PP, OP and HZ Supplemental Agreements and the transaction contemplated thereunder.

RECOMMENDATION

The Directors consider that the terms of the PP, OP and HZ Supplemental Agreements are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Had a general meeting been convened for approval of the PP, OP and HZ Supplemental Agreements, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of approving the PP, OP and HZ Supplemental Agreements.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024 are disclosed in the following documents which are published on both the websites of the Stock Exchange and the Company. Please refer to the hyperlinks as stated below:

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

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

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

Interim report of the Company for the six months ended 30 June 2024:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0924/2024092401241.pdf
(page 2 to 19)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the Group's total indebtedness is approximately HK$3,777.7 million. The details are as follows:

Bank guarantees

As at 31 October 2024, the Group had aggregate outstanding bank guarantees of approximately HK$149.9 million, of which approximately HK$43.1 million was secured by pledged bank deposits and approximately HK$106.8 million was unsecured. None of the above were guaranteed.

Lease liabilities

As at 31 October 2024, the Group had lease liabilities with outstanding carrying amount of approximately HK$3,480.8 million.

Other borrowings

As at 31 October 2024, the Group had a loan of JPY2,670,640,000 (approximately HK$147 million) from AEON Co., Ltd, the immediate and ultimate holding company, bearing interest rate at 1.825% per annum and repayable on 31 December 2024. The loan is unsecured and unguaranteed.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 October 2024, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

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

4. MATERIAL ADVERSE CHANGE

Reference is made to the Company's interim report for the six months ended 30 June 2024 published on 25 September 2024. Save for the factors and challenges including outbound travel, cautious consumer sentiment, changes in consumption patterns of tourist and resident in Hong Kong, slow recovery in local and Mainland China economy and downsize risks of retail industryas referred to in the publications above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the first half of 2024, the global economy remained fraught with uncertainties amid high interest rates and persistent geopolitical risks. Internal and external factors led to a slow recovery of the Hong Kong and Mainland China economies and affected consumer confidence, resulting in unsatisfactory profitability for the Group. In the face of continuous market changes and challenges, the Group reviewed and adjusted its own business strategies from time to time and actively implemented internal reforms in order to maintain its competitive edge in the market.

Hong Kong Operations

The provisional estimate of the volume of total retail sales for June this year fell 9.7% year-on-year, but this was lower than the market's forecast of 11.8%. The provisional estimate of the volume of total retail sales for the first half of 2024 declined 6.6% year-on-year. It showed that Hong Kong's overall economy was still in the recovery stage and that public consumption sentiment had not improved significantly. The boom in Hong Kong people's travelling north and overseas continued. During the period under review, Hong Kong people made a total of 49.5 million outbound trips, an increase of 72.5% year-on-year, of which around 44.2 million were to various cities in Mainland China. Although the number of inbound tourists also surged by more than 60% to approximately 21 million in the first half of this year, the number of Hong Kong visitors travelling to Shenzhen nearly doubled the number of visitors from the Mainland during the same period. Such a large difference adversely affected the local tourism, F&B and retail industries, as well as the performance of the Group's business in the city.

During the period under review, the Group continued to increase the proportion of its private brand merchandise, launched more diverse products under TOPVALU, HÓME CÓORDY and PEACE FIT WARM/COOL, and imported more product varieties directly from Japan and Southeast Asia. Promotional activities such as "Japanese Food Fair", "Korean Fair", "Thai Food Promotion Week", "Vietnamese Fair" and "TOPVALU FAIR" were held to bring authentic foreign flavours to local customers. The Group also made targeted improvements to the product mix of Wednesday's "Super Day" under its supermarket business, thereby increasing the number of customer visits and purchases. Through the above measures, the Group has successfully provided customers with more diversified products and services, improved sales performance and reduced procurement costs.

The Group continued to actively expand its store network to promote the development of various businesses and to meet the needs of different consumer groups. In June this year, the Group opened Hong Kong's fourth KOMEDA'S Coffee in Tsuen Wan. The Group also entered into a strategic cooperation arrangement with IDEA Co., Ltd. from Japan and opened the first Okonomiyaki Japanese chain restaurant "Tsuruhashi Fugetsu" in Hong Kong in July to strengthen its F&B business layout. During the period under review, the Group also completed the upgrade of its Tsuen Wan store to become the fifth AEON STYLE location in Hong Kong and the first in the New Territories. AEON STYLE Tsuen Wan and AEON STYLE Kornhill also completed their contract renewals and will continue to provide comprehensive lifestyle experiences.

During the period under review, the continuous development of the e-commerce business resulted in a significant year-on-year increase in online sales. The upgraded AEON App provides users with a better shopping experience and encourages customers to make purchases, so the related revenue increased by nearly threefold over the last corresponding period. In addition to Foodpanda, the Group has also entered into a business cooperation arrangement with Deliveroo to provide more goods delivery services to customers through third-party takeaway platforms. In terms of operations and management, the Group continued to optimise its "Mobile Assistant", added the Self-checkout function, implemented full the Self-checkout procedures in certain stores, introduced electronic price tags in the supermarket of AEON STYLE Yau Tong, strengthened support for back-end operations, streamlined work processes, and improved staff efficiency.

In the first half of the year, revenue from the Group's Hong Kong business decreased by 9.74% to HK$1,897.4 million (2023: HK$2,102.2 million), and the segment loss also widened to HK$144.3 million (2023: loss of HK$71.6 million).

The Hong Kong government is actively promoting the mega-event economy, with more than 100 events expected to be held in the second half of 2024, which is anticipated to attract tourists to Hong Kong and boost local consumption, giving greater momentum to the recovery of the Hong Kong retail sector. The PRC government has raised the duty-free allowance for Mainland residents returning from Hong Kong and Macau and increased the number of Mainland cities eligible for the Individual Visit Scheme to 59, which is also conducive to boosting consumption in Hong Kong. At the same time, the government continues to introduce various measures to support small and medium enterprises in the retail sector, hoping to promote the development of the local retail sector.

The market believes that the U.S. Federal Reserve is very likely to cut interest rates in the second half of this year, which is expected to further support the recovery of Hong Kong's economy. The rate of decline in the value of Hong Kong's total retail sales in June 2024 has slowed down, reflecting signs of stabilisation in retail activities. However, changes in the consumption patterns of tourists and residents and the strong Hong Kong dollar exchange rate will still affect the Hong Kong retail market in the short term. The government expects that the retail sector will remain weak until the end of this year or early next year.

In response to the slow economic recovery, the Group will continue to implement the following strategies. In terms of procurement and sales, the Group will: 1) leverage the scale and supply chain advantages of AEON Group to further increase sales of its private brands and provide customers with affordable and high-quality products while improving the Group's overall gross profit margin; 2) adjust the store operating network, optimise existing stores and strengthen the business of high-margin small specialty stores such as Living PLAZA by AEON, Daiso Japan, and Mono Mono, and increase sales by improving the product mix; 3) further expand its catering business by opening KOMEDA'S Coffee branch and the new business format JELYCO DO By KOMEDA etc., in order to cover a broader and wider customer base and achieve cross-business synergies.

The Group will continue to strengthen its digital transformation to enhance the growth of e-commerce and bolster its level of operational management. In the second half of the year, the Group will work with Octopus to optimise the system and introduce JoyYou card discounts, and will develop self-service functions on the customer app to speed up the processing of delivery services, and introduce a central management system for self-service checkout to expedite the handling of customer enquiries, so as to provide customers with a better and more convenient shopping experience. At the same time, the Group will further optimise the “Mobile Assistant” to enable store employees to view various data more accurately and quickly, thereby improving their work efficiency.

In the second half of the year, the Group is expected to upgrade and renovate the AEON STYLE Tsuen Wan store, and open one AEON STYLE store, one Mono Mono store, one KOMEDA’S Coffee branch, one JELYCO DO By KOMEDA, and several Daiso Japan stores to continuously expand its operating network in Hong Kong.

Mainland China Operations

The GDP growth rate of Mainland China in the second quarter of 2024 was lower than market expectations, declining from the first quarter. Total retail sales of consumer goods in the first half-year increased by 3.7% year-on-year, but the year-on-year growth rate of total retail sales of consumer goods in June fell 1.7 percentage points from May, the lowest since February last year. The downturn in the real estate industry and sluggish consumption continue to weigh on domestic economic and retail growth, and a weak labour market has further reduced consumers’ overall purchasing power.

During the period under review, sales of the Group’s private brand merchandises increased significantly, reflecting the initial success of the Group’s strategy of emphasising product differentiation. In addition, the Group continued to review and optimise the existing store layout. In May, it completed a major revitalisation and renovation of the Sun City Mall store in Guangzhou. During the period, it signed the contracts for two stores, the Canton Tower Plaza store (scheduled to open in 2025) and the Paso Plaza store on Guangzhou Airport Road (scheduled to open in September 2024), to further expand the Greater Bay Area market. In order to attract more local customers and cater for the “northbound” consumption boom of Hong Kong people, the Group continued to review the merchandise and merchant mix of its stores and strengthened its fresh and cooked food offerings. As a result, turnover of several stores improved and profitability was achieved.

Revenue from the Mainland China operations in the first half of the year decreased by 10.95% to HK$2,154.7 million (2023: HK$2,419.6 million). The loss of the PRC business was HK$36.9 million (2023: loss of HK$15.4 million).

The Group expects that in the short term, the PRC will continue to face the impact of the real estate crisis on the overall economy, the labour market will remain challenging and there will be uncertainties resulting from geopolitical risks. However, with the gradual easing of global financial conditions, the PRC government's continued implementation of real estate support measures and a number of proactive fiscal measures, as well as the central bank's RRR reduction and interest rate cuts, the Mainland China economy is expected to improve in the second half of the year.

The Group will actively adjust its business strategy and proactively seize the opportunities presented by the trend of "northbound" travel among Hong Kong residents to increase the sales of stores in the Greater Bay Area. By accelerating product reform and broadening differentiation, the Group will strengthen key product categories to enhance its appeal to customers. At the same time, it will further increase sales of its own private brand merchandise and improve profit margins. As for internal management, the Group will continue to strictly control and reduce costs, increase efficiency, and streamline internal processes to improve productivity.

The Group plans to complete the upgrading and renovation of one store and open two AEON supermarkets in the Greater Bay Area in the second half of the year to further expand its store network in the Greater Bay Area.

Financial Review

In the first half of the year 2024, the Group's revenue decreased by 10.4% year-on-year to HK$4,052.1 million (2023: HK$4,521.8 million). Gross profit margin dropped by 0.4 percentage points to 28.4% (2023: 28.8%).

As for other income, income derived from sub-leases decreased by HK$6.3 million (2023: decreased by HK$12.6 million), However, contributed by the Platform collaboration income in the period, other income resulted in an overall increase by 7.5% as compared with last year.

For operating expenses during the period under review, the Group's staff cost decreased by 1.4% and its ratio to revenue increased to 12.0% (2023: 10.9%). Expenses related to leases decreased by 0.9% and the ratio of expenses to revenue increased to 12.8% (2023: 11.6%). Other operating expenses, including advertising, promotion and selling expenses, maintenance and repair expenses (including building management fee), utility expenses, administrative expenses and other expenses, decreased by 4.5% year-on-year and the ratio of other expenses to revenue was 12.5% (2023: 11.7%).

Included in other gains and losses, amongst others, was exchange gain of HK$11.3 million (2023: exchange gain of HK$4.4 million). No impairment loss for the six months ended 30 June 2024 and 2023 has been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets respectively.

Due to the above changes, loss attributable to owners of the Company for the period under review was HK$171.1 million (2023: loss of HK$78.2 million), representing an increase of loss of HK$92.9 million.

The Group's adjusted EBITDA[1] for the period was loss HK$145.8 million (2023: loss HK$55.2 million), loss increased by HK$90.6 million.

The Board has reviewed the dividend policy taking into account the following factors of the Company including its financial results, cash flow status, business conditions and strategies, future operations and revenue, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that it may consider relevant and has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (2023: HK$0.02).

During the period, capital expenditure on opening new stores and store renovation in Hong Kong and Mainland China and the upgrade of information technology systems amounted to HK$77.3 million.

The Group also entered into new lease agreements and lease modifications in the review period and recognized additional HK$787.3 million (2023: HK$77.3 million) of right-of-use assets and HK$826.8 million (2023: HK$74.4 million) of lease liabilities.

The Group maintained a net cash position with cash and bank balances and short-term time deposits amounting to HK$931.2 million as at 30 June 2024 (31 December 2023: HK$1,149.6 million). The Group had no bank borrowing and therefore did not disclose any gearing ratio (which is defined by dividing bank borrowings to equity) and had sufficient internal resources to finance future business operations.

As at 30 June 2024, deposits of HK$40.0 million (31 December 2023: HK$97.2 million) were pledged to the bank as guarantees of the rental deposits to landlords. Deposits of HK$7.2 million (31 December 2023: HK$6.7 million) were also pledged to regulatory bodies as guarantees for prepaid value cards sold.

The Group's total lease liabilities as at 30 June 2024 amounted to HK$3,664.7 million (31 December 2023: HK$3,208.8 million), of which HK$774.4 million (31 December 2023: HK$676.0 million) is payable within one year.

As at 30 June 2024, the Group's current liabilities exceeded its current assets by HK$1,024.7 million (31 December 2023: net current liabilities of HK$683.7 million). The directors considered that the Group has sufficient financial sources available to fund its operations in the foreseeable future and will be able to meet its financial obligations when they fall due.

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

	Six months ended	
Reconciliation of Adjusted EBITDA	**30.6.2024**	**30.6.2023**
	HK$'000	*HK$'000*
Loss for the period	(174,188)	(76,553)
Adjusting items for EBITDA		
Income tax expenses	748	1,033
Depreciation of investment properties	37,659	32,543
Depreciation of property, plant and equipment	67,231	75,310
Depreciation of rights-of-use assets	320,461	355,893
Interest on lease liabilities	96,616	98,745
Investment income	(7,790)	(11,537)
Interest income from rental deposits	(5,236)	(5,797)
Other gain and losses	(11,939)	(9,359)
Items for adjusted EBITDA		
Repayment of lease liabilities (included in consolidated cash flow statement)*	(372,751)	(416,639)
Interest on lease liabilities*	(96,616)	(98,745)
Rounding	5	(94)
Adjusted EBITDA	(145,800)	(55,200)

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

Human Resources

As at 30 June 2024, the Group had approximately 5,050 full-time and 3,920 part-time employees in Hong Kong and the PRC. Under the "Everything we do, we do for our customers" credo, and in order to deliver the highest standard of service to all customers, the Group will continue to upgrade the skills and professional knowledge of its employees by providing them with educational and career development opportunities. With a fair human resources system, the Group will create a positive work environment for staff and enhance the communication between on-site staff and the back-end support departments, building a system that facilitates prompt action to address business issues. The Group's ultimate goal is to build AEON into a brand that benefits all customers.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the rental values of the Properties, to be leased by the Group, as at 30 September 2024.

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

6 December 2024

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

Dear Sirs,

RE: PORTFOLIO VALUATION – PROPERTIES TO BE LEASED IN GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (the "PROPERTIES")

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of AEON Stores (Hong Kong) Co., Limited (the "**Company**") for us to provide our opinion of the market rents of the Properties to be leased to the Company or its subsidiary (collectively the"**Group**") in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of market rents of the Properties as at 30 September 2024 (the "**Valuation Date**").

VALUATION BASIS

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

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020.

VALUATION ASSUMPTION

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

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

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

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

Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and onerous nature which could affect their market rents.

METHOD OF VALUATION

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

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, tenancy information, particulars of occupancy, site and floor area and all other relevant matters.

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

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

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to the Properties in the PRC. We have not been able to conduct title searches and have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the Company and the PRC legal opinion.

In the course of our valuations of the Properties, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), Jindi Law Firm, regarding the titles to the Properties. Unless otherwise stated in the legal opinion, in valuing the Properties, we have assumed that the owners of the Properties have an enforceable title to the Properties and have free and uninterrupted rights to use, occupy, assign or lease the Properties for the whole or part of the unexpired terms as granted. We have not verified the authentication of the real estate title certificates and we assume that the copies of relevant documents provided by the Company are true and accurate.

SITE INSPECTION

Ms. Kelly Wu, with 5 years of experience in property valuation in the PRC, of our Guangzhou office inspected the exterior and, wherever possible, the interior of the Properties in September 2024. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are, however, not able to report that the Properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

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

CURRENCY

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

OTHER DISCLOSURE

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

INTENDED USE AND USER OF REPORT

This valuation report is issued only for the use of the Company for incorporation into its circular.

We enclose herewith a summary of valuations and our valuation report for your attention.

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

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

SUMMARY OF VALUATIONS

		Market rent in existing state as at 30 September 2024 *(RMB)*
	Properties to be leased by the Group in the PRC	
	Property	
1.	Portions of a commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市天河區東站天匯城廣場負二層部份商業物業)	254,000 per month
2.	Portions of the commercial property on the First and Second Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No. 81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市禪城區錦華路81號佛山東方廣場銀州城裙樓一至二層部份商場)	502,000 per month
3.	Portions, of the 4th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓四層部份)	621,000 per month

VALUATION REPORT

Properties to be leased by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
1.	Portions of a commercial property on Basement 2, Tianhuicheng Plaza, East Station, Tianhe District, Guangzhou City, Guangdong Province, the PRC (中國廣東省廣州市天河區東站天匯城廣場負二層部份商業物業)	Tianhuicheng Plaza is located at Tianhe District, the central business district of Guangzhou. It is a comprehensive shopping mall comprising 4 storeys. It was completed in about 2009. Situated on East Railway Road, Tianhuicheng Plaza is located at Tianhe North commercial hub. It is bordered by the Guangzhou East Railway Station and Citic Plaza to the south. Nearby developments mainly consist of commercial, office, hotel and residential projects. Developments in vicinity comprise mainly commercial and residential buildings. It is served by various public bus routes, trains and subway. The property comprises portions of Basement Level 2 of Tianhuicheng Plaza. The landlord and the tenant (the Company) entered into a supplemental agreement on 6 November 2024 for about 15 years expiring on 31 October 2039. Pursuant to the supplemental agreement provided by the Company, the total lease area being occupied is approximately 2,417.53 sq.m.	As at the Valuation Date, the property was leased by the Company as part of a AEON Store.	RMB254,000 (RENMINBI TWO HUNDRED AND FIFTY FOUR THOUSAND) per month, exclusive of value-added tax, building management fees, utilities charges and let for a tenancy of about 15 years *(see Note 1)*

Notes:

(1) The rental valuation is conducted on the assumption that the property is let for a term of about 15 years without varying rent, turnover rent or rental incentive.

(2) We have considered various rental comparables as available in the market and made appropriate adjustments to reflect the differences between the property and the comparables in different aspects including but not limited to city, district (location and environment, transportation, accessibility, and customer base), the quality of the department store/shopping centre itself (decoration standard, visibility, etc.), storey, building age, size, and lease commencement date, etc. As at the Valuation Date, assuming the property is freely disposable and transferable, the capitalised value of the market rent under this approximate 15-year tenancy would be in the range of RMB31,440,000. The adopted capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rate adopted is reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

(3) We have been provided with copies of real estate title certificates and/or certificate of state-owned land use rights by the Company in relation to the current title to the property. The lessor of the tenancy agreement is delegated by the legal owner of the property to enter the supplemental agreement. In valuing the property, we have assumed that the owner of the property has an enforceable title to the property and has free and uninterrupted rights to use, occupy, assign or lease the property for the whole or part of the unexpired term as granted. We have not verified the authentication of the real estate title certificates and the certificate of state-owned land use rights and we have assumed that the copies of relevant documents provided by the Company are true and accurate. Pursuant to the certificate of state-owned land use rights, the land tenure of the property is granted for various term of 70 years, 40 years and 50 years commencing on 22 April 1996 for residential, commercial, tourism and entertainment and other uses respectively.

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

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

(5) We have been provided with a legal opinion regarding the title of the property by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) Guangzhou Zhiwei City Real Estates Co. Ltd.* (廣州市致威城市房產有限公司) is the owner of the property;

(b) The property is subject to a mortgage;

(c) Guangzhou Zhiwei City Real Estates Co. Ltd.* (廣州市致威城市房產有限公司) has the right to freely occupy, use, lease or dispose of the property and has the right to lease it out on its own or delegate others to lease, but the exercise of the aforementioned rights is also subject to the agreements between Guangzhou Zhiwei City Real Estates Co. Ltd.* (廣州市致威城市房產有限公司) and the mortgagees and the relevant parties; and

(d) Guangzhou Zhiwei City Real Estates Co. Ltd.* (廣州市致威城市房產有限公司) (the landlord) delegated Guangzhou East Station Tianhuicheng Co., Ltd.* (廣州東站天匯城有限公司) (the lessor) to enter into the supplemental agreements to the tenancy agreement for the property with Guangdong Aeon Teem Co., Ltd.* (廣東永旺天河城商業有限公司) (the tenant). The supplemental agreements shall become effective on the date it is stamped by both the lessor and the tenant. It shall be legally binding on both parties.

(6) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (a) comparable properties are located in Guangzhou City; (b) comparable properties are of larger size (no less than 2,000 sq.m.); and (c) the nature of the comparable properties is similar to the property (i.e. leased to a single anchor brand similar to AEON). The rental comparables identified by us are exhaustive in terms of the above criteria.

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

We have identified three relevant rental comparables (referred to as Comparables 1, 2 and 3 respectively in the table below); the analysed monthly rents of these comparable properties ranged from RMB99 to RMB216 per sq.m.

Comparables	**Approximate Leased Area** (sq.m.)	**Monthly Unit Rent** (RMB/sq.m.)
1. Basement Level 2 of a shopping mall in Tianhe District	4,800	216
2. Basement Level 1 of a shopping mall in Tianhe District	3,600	99
3. Level 2 of a shopping mall in Liwan District	3,600	110

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

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

Adjustment	Range
Location and environment	–9% to +1%
Transportation and accessibility	–8% to +1%
Customer base and footfall	–17% to –7%
Age	–3% to –1%
Size	+2% to +3%
Decoration standard	+5%
Floor level	–15% to 0%
Lease term	–2% to +8%

In terms of location and environment, Comparable 1 is better than the property as Comparable 1 is a luxury mall and located at the central area of Tianhe District, a downward adjustment hence applied. Comparables 2 and 3 are slightly less desirable than the property, minor upward adjustments applied.

In terms of transportation and accessibility, Comparable 2 is less desirable than the property as it is not connected to the metro, an upward adjustment hence applied. The property is inferior to Comparable 1 as the exit of Comparable 1 is located on the same floor connecting the metro and enjoying higher accessibility, a downward adjustment hence applied.

In terms of footfall and customer base, the property is inferior to the comparables as their demographics and spending power of nearby residents are superior to the property, downward adjustments applied.

In terms of building age, the property is inferior to Comparables 1, 2 and 3, respective downward adjustments applied.

Upward adjustments applied to Comparables 1, 2 and 3 as they are larger in size compared to the property.

The Property is inferior to all the comparables as they are of higher decoration standard, overall downward adjustments hence applied.

Downward floor adjustments applied to Comparables 2 and 3 due to their respective proximities to Level 1 compared to the property. No floor adjustment applied to Comparable 1 as they are on the same level.

Adjustments were made for differences in lease terms. Comparable 2's terms are more favourable, leading to a downward adjustment. Conversely, Comparable 3's terms are less favourable, resulting in an upward adjustment.

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a market rent of RMB105 per sq.m. per month excluding value-added tax, building management fees and utilities charges.

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

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
2.	Portions of the commercial property on the First and Second Floors of the podium building of Yinzhoucheng, Foshan Oriental Plaza, No. 81 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市禪城區錦華路81號佛山市東方廣場銀州城裙樓一至二層部份商場)	Foshan Oriental Square is situated in the bustling commercial district of Foshan. It is a comprehensive shopping mall comprising 4 storeys above ground and 2 storeys underground. It was completed in about 2001. Situated on Jinhua Road, Foshan Oriental Square is located at a tradition commercial hub of Foshan. Nearby developments mainly consist of commercial and residential projects. Developments in vicinity comprise mainly commercial and residential buildings. It is served by various public bus routes. The property comprises portions of Level 1 and Level 2 of AEON Oriental Square Store in Foshan Oriental Square. The property is subject to an existing tenancy of 10 years due to expire on 31 December 2025 for a larger portion of AEON Oriental Square Store. The landlord and the tenant (the Company) entered into a lease renewal agreement on 26 November 2024 to renew the tenancy for a relatively smaller portion for about 9 years expiring on 31 December 2035.	As at the Valuation Date, the property was leased by the Company as AEON Store.	RMB502,000 (RENMINBI FIVE HUNDRED AND TWO THOUSAND) per month, exclusive of value-added tax, building management fees, utilities charges and let for a tenancy of about 9 years *(see Note 1)*

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
	Pursuant to the lease renewal agreement provided by the Company, the total lease area being occupied is approximately 11,942.17 sq.m, with details as follows:		

Floor	Approximate Lease Area *(sq.m.)*
L1	5,230.08
L2	6,712.63
Total	**11,942.71**

Notes:

(1) The rental valuation is conducted on the assumption that the property is let for a term of about 9 years without varying rent, turnover rent or rental incentive.

(2) We have considered various rental comparables as available in the market and made appropriate adjustments to reflect the differences between the property and the comparables in different aspects including but not limited to city, district (location and environment, transportation, accessibility, and customer base), the quality of the department store/shopping centre itself (decoration standard, visibility, etc.), storey, building age, size, and lease commencement date, etc. As at the Valuation Date, assuming the property is freely disposable and transferable, the capitalised value of the market rent under this approximate 9-year tenancy would be in the range of RMB40,550,000. The adopted capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rate adopted is reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

(3) We have been provided with copies of real estate title certificates and/or certificate of state-owned land use rights by the Company in relation to the current title to the property. The lessor of the tenancy agreement is the legal owner of the property. In valuing the property, we have assumed that the owner of the property has an enforceable title to the property and has free and uninterrupted rights to use, occupy, assign or lease the property for the whole or part of the unexpired term as granted. We have not verified the authentication of the real estate title certificates and the certificate of state-owned land use rights and we have assumed that the copies of relevant documents provided by the Company are true and accurate.

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

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

(5) We have been provided with a legal opinion regarding the title of the property by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) Foshan Dongjian Group Co., Ltd.* (佛山市東建集團有限公司) is the owner of the property;

(b) The property is subject to various mortgages;

(c) Foshan Dongjian Group Co., Ltd.* (佛山市東建集團有限公司) has the right to freely occupy, use, lease or dispose of the property and has the right to lease it out on its own or delegate others to lease, but the exercise of the aforementioned rights is also subject to the agreements between Foshan Dongjian Group Co., Ltd.* (佛山市東建集團有限公司) and the mortgagees and the relevant parties; and

(d) The supplemental agreements to the tenancy agreement for the property entered into between Foshan Dongjian Group Co., Ltd.* (佛山市東建集團有限公司) (the landlord) and Guangdong Aeon Teem Co., Ltd.* (廣東永旺天河城商業有限公司) (the tenant) shall become effective on the date it is stamped by both the landlord and the tenant. It shall be legally binding on both parties.

(6) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (a) comparable properties are located in Foshan City; (b) comparable properties are of larger size (no less than 2,500 sq.m.); and (c) the nature of the comparable properties is similar to the property (i.e. leased to a single anchor brand similar to AEON). The rental comparables identified by us are exhaustive in terms of the above criteria.

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

We have identified three relevant rental comparables (referred to as Comparables 1, 2 and 3 respectively in the table below); the analysed monthly rents of these comparable properties ranged from RMB33 to RMB51 per sq.m.

Comparables	**Approximate Leased Area** (sq.m.)	**Monthly Unit Rent** (RMB/sq.m.)
1. Basement Level 2 of a shopping mall in Chancheng District	3,000	33
2. Basement Level 1 of a shopping mall in Nanhai District	8,600	44
3. Level 1 to Level 3 of a shopping mall in Nanhai District	11,000	51

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

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

Adjustment	**Range**
Location and environment	–5% to –4%
Transportation and accessibility	–5% to +1%
Customer base and footfall	–8% to –5%
Age	–4% to –2%
Size	–7% to 0%
Floor level	+8% to +33%
Lease term	–8% to +8%

In terms of location and environment, Comparables 1, 2 and 3 are all superior to the property. Comparable 1 is at a prime location while Comparables 2 and 3 are located at a slightly less desirable area compared to Comparable 1 yet still superior to the property. Hence overall downward adjustments applied.

In terms of transportation, Comparable 3 is less desirable than the property as it is further away from the metro, an upward adjustment is applied. The property is inferior to Comparables 1 and 2 as they are located closer to the metro, downward adjustments applied.

In terms of customer base, the property is inferior to all the comparables as their demographics and spending power of nearby residents are superior to the property, downward adjustments applied.

In terms of building age, the property is older than Comparables 1, 2 and 3, respective downward adjustments applied.

Downward adjustments applied to Comparables 1 and 2 as they are much smaller in size compared to the property. No adjustment to Comparable 3 as it has similar size as the property.

Respective upward floor adjustments applied to Comparables 1, 2 and 3 due to the property's proximity to Level 1 compared to the comparables.

Adjustments were made to account for the differences in lease terms between the property and the comparables. The lease terms of Comparables 1 and 2 are more advantageous, while those of Comparable 3 are less advantageous compared to the property. Appropriate adjustments applied accordingly.

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a market rent of RMB42 per sq.m. per month, exclusive of value-added tax, building management fees and utilities charges.

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

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
3.	Portions of the 4th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市惠城區東湖花園八號小區商業裙樓四層部份)	A commercial building in the 8th district of Donghu Garden called AEON Huizhou Shopping Centre is an 8-storey shopping Centre consisting of retail, ancillary and car park areas. Opened in 2008, the property comprises portions of Level 4 of AEON Huizhou Shopping Centre. The property is located in a large mature residential area in Huicheng District called "Donghu 9 Districts". Huicheng District is the earliest developed and the most mature district of Huizhou. As the economy hub of Huizhou, the Huizhou municipal government is situated in this district. The property is surrounded by a well-developed residential project namely Donghu Garden. And a number of residential projects are in the vicinity of the property. The accessibility to the property is considered to be convenient as well. The property, together with the remaining portions (Basement Level 2 to Level 3 and Level 5) of AEON Huizhou Shopping Centre, is subject to an existing tenancy of 11 years due to expire on 26 November 2034. The landlord and the tenant (the Company) entered into a supplemental lease renewal agreement on 26 November 2024 to further cover Level 4 of AEON Huizhou Shopping Centre for about 10 years expiring on 26 November 2034. Pursuant to the supplemental lease renewal agreement provided by the Company, the total lease area to be occupied on level 4 of the AEON Huizhou Shopping Mall is approximately 10,557.58 sq.m. whilst the total area for assessing payable rent is 9,429.65 sq.m.	As at the Valuation Date, the property was leased to and occupied by the Company as AEON Store.	RMB621,000 (RENMINBI SIX HUNDRED AND TWENTY ONE THOUSAND) per month, exclusive of value-added tax, building management fees and utilities charges for a period of 10 years *(see Note 1)*

Notes:

(1) The rental valuation is conducted on the assumption that the property is let for a term of 10 years without varying rent, turnover rent or rental incentive.

(2) We have considered various rental comparables as available in the market and made appropriate adjustments to reflect the differences between the property and the comparables in different aspects including but not limited to city, district (location and environment, transportation, accessibility, and customer base), the quality of the department store/shopping centre itself (decoration standard, visibility, etc.), storey, building age, size, and lease commencement date, etc. As at the Valuation Date, assuming the property is freely disposable and transferable, the capitalized value of the market rent under this 10-year tenancy would be in the range of RMB56,390,000. The adopted capitalisation rate is estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rate adopted is reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

(3) We have been provided with copies of real estate title certificates and/or certificate of state-owned land use rights by the Company in relation to the current title to the property. The lessor of the tenancy agreement is the legal owner of the property. In valuing the property, we have assumed that the owner of the property has an enforceable title to the property and has free and uninterrupted rights to use, occupy, assign or lease the property for the whole or part of the unexpired term as granted. We have not verified the authentication of the real estate title certificates and the certificate of state-owned land use rights and we have assumed that the copies of relevant documents provided by the Company are true and accurate.

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

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

(5) We have been provided with a legal opinion regarding the title of the property by the Company's PRC Legal Adviser, which contains, inter alia, the following:

(a) Huizhou Donghu Asset Operation Co., Ltd.* (惠州市東湖資產運營有限公司) is the owner of the property;

(b) The property is subject to various mortgages;

(c) Huizhou Donghu Asset Operation Co., Ltd.* (惠州市東湖資產運營有限公司) has the right to freely occupy, use, lease or dispose of the property and has the right to lease it out on its own or delegate others to lease, but the exercise of the aforementioned rights is also subject to the agreements between Huizhou Donghu Asset Operation Co., Ltd.* (惠州市東湖資產運營有限公司) and the mortgagees and the relevant parties; and

(d) The supplemental lease renewal agreement of the property entered into between Huizhou Donghu Asset Operation Co., Ltd.* (惠州市東湖資產運營有限公司) (the landlord) and AEON South China Co., Ltd.* (永旺華南商業有限公司) (the tenant) is effective on the date it is stamped by both the landlord and the tenant. It shall be legally binding on both parties.

(6) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (a) comparable properties are located in same or neighbouring cities within Guangdong Province; (b) comparable properties are of larger size (no less than 5,000 sq.m.); and (c) the nature of the comparable properties is similar to the property (i.e. leased to a single anchor brand similar to AEON). The rental comparables identified by us are exhaustive in terms of the above criteria.

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

We have identified three relevant rental comparables (referred to as Comparables 1, 2 and 3 respectively in the table below); the analysed monthly rents of these comparable properties ranged from RMB46 to RMB64 per sq.m.

Comparables	**Approximate Leased Area** (sq.m.)	**Monthly Unit Rent** (RMB/sq.m.)
1. Level 2 of a shopping mall in Qingcheng District, Qingyuan City	7,000	46
2. Basement Level 1 of a shopping mall in Dinghu District, Zhaoqing City	7,000	46
3. Basement Level 2 to Level 5 of a shopping mall in Huicheng District, Huizhou City	68,000	64

Adjustment	**Range**		
City	0%	to	+10%
Location and environment	0%	to	+8%
Transportation and accessibility	0%	to	+10%
Customer base and footfall	0%	to	+5%
Age	-2%	to	0%
Size	-1%	to	+30%
Floor level	-13%	to	-7%
Lease term	+2%	to	+12%

In terms of city, upward adjustments applied to Comparables 1 and 2 as Huizhou City is more developed than Qingyuan City and Zhaoqing City. No adjustment applied to Comparable 3.

In terms of location and environment, Comparables 1 and 2 are less desirable than the property as the property is located closer to the CBD, upward adjustments hence applied. No adjustment applied to Comparable 3.

Adjustments were made for accessibility differences. Comparables 1 and 2 are less desirable due to them being less connected to public transport when compared to the property, resulting in upward adjustments. No adjustment was necessary for Comparable 3.

Adjustments were made for differences in customer base. Comparable 1 has fewer high-end residential complexes nearby, indicating lower consumption power, resulting in an upward adjustment. No adjustments were necessary for Comparables 2 and 3.

In terms of building age, the property is inferior to Comparables 1 and 2, respective downward adjustments applied. No adjustment applied to Comparable 3.

Downward adjustments applied to Comparables 1 and 2 as they are smaller in size compared to the property. Upward adjustment applied to Comparable 3 as it is larger than the property.

Downward floor adjustments applied to Comparables 1, 2 and 3 due to their respective proximities to Level 1 when compared to the property.

Adjustments were made to account for the differences in lease terms between the property and the comparables. The lease terms of all the comparables are less advantageous compared to the property. Appropriate adjustments have been applied accordingly.

Given that the property surpasses all comparables in most aspects, overall upward adjustments in all the above eight factors applied to each of Comparables 1, 2 and 3. The most significant adjustment was a 30% increase for Comparable 3 in the adjustment factor for size, primarily due to the substantial size difference between Comparable 3 and the property. After making these adjustments according to the eight adjustment factors which are discussed in the above eight paragraphs in details, we have assigned equal weighting to all three comparables.

As a result, we have adopted a market rent of RMB66 per sq.m. per month, exclusive of value-added tax, building management fees and utilities charges.

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

1. RESPONSIBILITY STATEMENT

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

2. INTEREST IN SECURITIES

(A) Directors' and chief executive's interests

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

(a) The Company

Name of Director	**Number of ordinary shares held as personal interests**	**Approximate percentage of interests**
NAGASHIMA Takenori	12,000	0.00462%
HISANAGA Shinya	30,000	0.01154%

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

Name of Director	**Number of ordinary shares held as personal interests** *(note)*	**Approximate percentage of interests**
GOTO Toshiya	6,300	0.00072%
HISANAGA Shinya	2,130	0.00024%
FUJITA Kenji	1,104	0.00013%

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

(B) Substantial Shareholders' interests

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

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

Note: These shares are held as to 155,760,000 shares by AEON Co and 1,776,000 shares by AEON Credit Service (Asia) Company Limited ("ACS"). ACS is owned by AEON Co as to 286,088,000 shares representing 68.32% of the issued share capital of ACS. AEON Co is deemed to be interested in the 1,776,000 shares owned by ACS.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

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

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

4. DIRECTORS' SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date and which was significant in relation to the business of the Group; and none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. MATERIAL CONTRACTS

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

8. LITIGATION

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

9. EXPERT AND CONSENT

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

Name	Qualification
Cushman & Wakefield Limited	Independent property valuer

As at the Latest Practicable Date, the above expert:

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

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

(c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. GENERAL

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

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

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

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

11. DOCUMENTS ON DISPLAY

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

(a) the PP Supplemental Agreement;

(b) the OP Supplemental Agreement;

(c) the HZ Supplemental Agreements;

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

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