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If you have sold or transferred all your shares in **AEON Stores (Hong Kong) Co., Limited**, (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution or other agent through whom the sale was effected for transmission to the purchaser or transferee. Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular

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AEON STORES (HONG KONG) CO., LIMITED

永旺（香港）百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

- (1) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CONSULTANCY SERVICES AGREEMENTS**
- (2) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO OF THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE AGREEMENT AND THE ATV CHINA MASTER SERVICE AGREEMENT**
- (3) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO OF THE MASTER ATV PURCHASE AGREEMENT AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7-33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 56 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Function Room, Units 07-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Tuesday, 29 July 2025 at 9:00 a.m. is set out on pages 62 to 65 of this circular. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting if you so wish.

14 July 2025

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DEFINITIONS

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

“Actual Costs”	the actual costs of the ATV Products paid and/or payable by ATV Japan to the manufacturers, factories and/or suppliers who are independent third parties from AEON Co, its subsidiaries and/or associates
“AEON China”	永旺(中國)投資有限公司 (AEON (China) Investment Co., Ltd.), a company incorporated in the PRC and wholly owned by AEON Co
“AEON Co”	AEON Co., Ltd., a company incorporated in Japan with limited liability, the issued shares of which are listed on the Tokyo Stock Exchange
“AEON GD”	廣東永旺天河城商業有限公司 (Guangdong AEON Teem Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“AEON Group”	AEON Co and its subsidiaries (unless the context otherwise requires, excluding members of the Group)
“ASC”	永旺華南商業有限公司 (AEON South China Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“ATV China”	永旺特慧優國際貿易(上海)有限公司, a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of ATV Japan
“ATV China Group”	ATV China and its subsidiaries
“ATV China Master Service Agreement”	the ATV China master service agreement dated 30 May 2025 entered into by the Company and ATV China
“ATV China Products”	the ATV Products planned by ATV China in the PRC

DEFINITIONS

“ATV China Proposed Annual Caps”	the proposed annual caps in the amount of HK\$4.9 million, HK\$8.9 million and HK\$11.9 million for the period from 1 June 2025 to 31 December 2025 and each of the two years ending 31 December 2027, respectively, for the transactions contemplated under the Master Licence Agreement (to the extent that fees are payable to ATV China Group) and the ATV China Master Service Agreement
“ATV Japan”	AEON TopValu Co., Ltd., a company incorporated in Japan with limited liability
“ATV Japan Group”	ATV Japan and its subsidiaries
“ATV Products”	the products which are developed as AEON Co and/or its subsidiaries’ private brand merchandises and bear one or more TopValu Trademarks
“ATV Purchase Proposed Annual Caps”	the proposed annual caps in the amount of HK\$11.3 million, HK\$14.0 million and HK\$15.3 million for each of the three years ending 31 December 2027 for the transactions contemplated under the Master ATV Purchase Agreement
“Board”	the board of Directors
“Business”	the business of procuring and selling merchandise (including but not limited to fashion, food, and household products) to retail customers in the general merchandise stores, supermarket stores and retail stores operated by the Group in Hong Kong and the PRC
“China Services”	as defined in the paragraph headed “Letter from the Board – The Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement – The ATV China Master Service Agreement – The Service” in this circular
“Combined Annual Caps”	the ATV China Proposed Annual Caps, together with the Proposed Annual Caps

DEFINITIONS

“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
“Consultancy Services Agreements”	the consultancy services agreements dated 31 December 2024 entered into between AEON China and each of the Company, AEON GD and ASC respectively, each supplemented by an agreement dated 31 December 2024 between the same respective parties
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of Shareholders (and any adjournment thereof) to be held to consider the resolutions relating to the Revised Annual Caps, the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps) and the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps)
“EGM Notice”	the notice included in this circular in respect of the EGM to consider and, if though fit, approve the Revised Annual Caps, the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps) and the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKEX”	Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Hideto Mizuno, Ms. Shum Wing Ting and Ms. Wong Mei Ling
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licenced to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps, the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps) and the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps)
“Independent Shareholders”	Shareholders other than those who have a material interest in the Consultancy Services Agreements, the Master Licence Agreement, the Master Service Agreement, the ATV China Master Service Agreement and the Master ATV Purchase Agreement
“Japan ATV Products”	the ATV Products planned by AEON Co and/or its subsidiaries in Japan
“Latest Practicable Date”	10 July 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master ATV Purchase Agreement”	the mater purchase agreement dated 31 December 2024 conditionally entered into by the Company and ATV Japan
“Master Licence Agreement”	the master licence agreement dated 1 April 2025 entered into by the Company and ATV Japan
“Master Service Agreement”	the master service agreement dated 1 April 2025 entered into by the Company and ATV Japan

DEFINITIONS

“Original Annual Caps”	the annual caps in respect of the Consultancy Services Agreements for the three years ending 31 December 2027, as disclosed in the announcement of the Company dated 31 December 2024
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Previous Consultancy Services Agreements”	the consultancy services agreements entered into between AEON China and each of the Company, AEON GD and ASC respectively on 4 October 2021, each supplemented by an agreement dated 4 October 2021 between the same respective parties
“Previous Master Trademark Licence Agreement”	the master trademark licence agreement dated 30 June 2021 entered into by the Company and ATV Japan
“Proposed Annual Caps”	the proposed annual caps in the amount of HK\$9.3 million, HK\$6.8 million and HK\$8.9 million for each of the three years ending 31 December 2027, respectively, for the transactions contemplated under the Master Licence Agreement and the Master Service Agreement
“Revised Annual Caps”	the revised annual caps in respect of the Consultancy Services Agreements for the three years ending 31 December 2027
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	as defined in the paragraph headed “Letter from the Board – The Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement – The Master Service Agreement – The Service” in this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	share(s) in the Company
“Shareholders”	holders of the shares in the Company from time to time

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Master Trademark Licence Agreement”	the short term agreement dated 31 December 2024 entered into by the Company and ATV Japan
“Territory”	Hong Kong and PRC
“TopValu Trademarks”	trademarks and logos owned by AEON Co and licensed to members of the Group from time to time pursuant to the Previous Master Trademark Licence Agreement, the Supplemental Master Trademark Licence Agreement and the Master Licence Agreement
“%”	per cent

LETTER FROM THE BOARD



AEON STORES (HONG KONG) CO., LIMITED

永旺(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

Executive Directors:

Mr. Takenori NAGASHIMA (*Managing Director*)

Mr. Shinya HISANAGA

Non-executive Directors:

Mr. Toshiya GOTO (*Chairman*)

Mr. Hiroyuki INOHARA

Mr. Yasutoshi YOKOCHI

Independent Non-executive Directors:

Mr. Hideto MIZUNO

Ms. SHUM Wing Ting

Ms. Wong Mei Ling

Registered office:

G-4 Floor

Kornhill Plaza (South)

2 Kornhill Road

Hong Kong

*Office and principal place of
business of the Company*

Units 07-11, 26/F

CDW Building

388 Castle Peak Road, Tsuen Wan

New Territories, Hong Kong

14 July 2025

To the Shareholders

Dear Sir or Madam,

- (1) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE CONSULTANCY
SERVICES AGREEMENTS**
- (2) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE
AGREEMENT AND THE ATV CHINA MASTER SERVICE AGREEMENT**
- (3) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER ATV PURCHASE AGREEMENT**
- AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 31 December 2024 in relation to the Consultancy Services Agreements entered into by each of the Company, AEON GD and ASC with AEON China. The principal terms of the Consultancy Services Agreements and their scope, the Original Annual Caps and the related internal control were disclosed in the Company's announcement dated 31 December 2024.

Further reference is made to the announcements of the Company dated 1 April 2025 and 30 May 2025 in relation to the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement entered into by the Company and ATV Japan and ATV China respectively.

Reference is also made to the announcement of the Company dated 31 December 2024 in relation to the Master ATV Purchase Agreement entered into between the Company and ATV Japan.

The purpose of this circular is to provide you with (i) further information on the Revised Annual Caps; (ii) the details of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; (iii) the details of the Master ATV Purchase Agreement; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (vi) the EGM Notice; and (vii) other information as required under the Listing Rules.

THE CONSULTANCY SERVICES AGREEMENTS

Reference is made to the announcement of the Company dated 31 December 2024 in relation to the Consultancy Services Agreements entered into by each of the Company, AEON GD and ASC with AEON China, pursuant to which each of the Company, AEON GD and ASC shall pay a service fee for the provision of consultancy services by AEON China in relation to various affairs in the local markets relevant to the general merchandise stores, supermarket stores and other retail stores business of the Group in Hong Kong and the PRC.

AEON China has also entered into consultancy services agreements with five subsidiaries of AEON Co on similar terms as the Consultancy Services Agreements.

LETTER FROM THE BOARD

Principal terms

The principal terms of the Consultancy Services Agreements are as follows:

Date: 31 December 2024

Parties: (i) the Company;

(ii) AEON GD;

(iii) ASC; and

(iv) AEON China

((i), (ii) and (iii) collectively, the “**Recipient Company**”)

Term: The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2025 and expiring on 31 December 2027, provided that each Consultancy Services Agreement shall continue to be of effect for a further three year period (and for each successive three year period) if the parties so agree and that the continuation for a further three year period shall be subject to compliance with the Listing Rules.

Nature of Transactions: Subsequent to the expiry of the Previous Consultancy Services Agreements dated 4 October 2021, each supplemented by an agreement dated 4 October 2021 between the same respective parties, each Recipient Company agrees to continue to obtain from AEON China and AEON China agrees to continue to provide to each Recipient Company certain consultancy services for their business operations in Hong Kong and the PRC on the terms set out in the Consultancy Services Agreements. Such terms shall be on normal commercial terms, on an arm’s length basis and on comparable terms to which the members of the Group would procure such services from independent third parties, or to which the AEON China provides such services to other parties.

LETTER FROM THE BOARD

Fees: Each of the Recipient Companies shall pay AEON China the service fee (“**Service Fee**”) which shall be verified by the parties together. The Service Fee shall be charged on a cost-plus basis, representing AEON China’s total costs of providing consultancy services plus 3% of such costs together with related taxes. Where AEON China also provides the consultancy services to other AEON Group companies, the Recipient Companies’ sharing ratio of AEON China’s total costs shall be according to the number of companies actually participating in and receiving the same consultancy services in equal shares.

The Service Fee payable by (i) the Company and (ii) each of AEON GD and ASC is subject to an annual maximum fee of (i) 0.15% and (ii) 0.20% of its respective audited total sales amount (as defined in each Consultancy Services Agreements) for that financial year (the “**Maximum Service Fee**”).

Payment: The Service Fee shall be payable by each Recipient Company to AEON China quarterly during the term of a Consultancy Services Agreements. AEON China shall provide each Recipient Company with a notice of payment, together with the basis of calculation of the Service Fee (including AEON China’s total costs of providing consultancy services to the seven AEON Group companies and the total sales amounts of the seven AEON Group companies during the relevant period).

After receipt of such notice and calculation basis, each Recipient Company shall have a period of one month to review the calculation basis and request for corrections in the event that any error is identified. The Recipient Company shall make payment of the Service Fee within one month upon its confirmation of the calculation basis and receipt of a relevant Value Added Tax invoice from AEON China. In any event, each Recipient Company shall have the right to, within one month of payment, request for verification of the calculation basis of amounts paid and request for appropriate adjustments to be made (to be reflected in the next notice of payment) if any error is identified.

LETTER FROM THE BOARD

Consultancy Services:	Pursuant to the Consultancy Services Agreements, AEON China is engaged to conduct research on and advise each of the Recipient Company on the affairs in the local markets in mainland China (and to the extents applicable to Hong Kong) which affairs shall include the residents' lives, culture, trends, preferences, daily needs, retail consumption behavior, competitors, promotional activities, product development, product matching, sales promotion, distribution channels, customer service strategies, implementation and optimization of digital tools and platforms, and business efficiency and costs, sustainability practices and innovation and any other topics so requested from time to time.
Confidentiality:	AEON China is required to, among other things, keep all information obtained from a Recipient Company as a result of entering into the Consultancy Services Agreements confidential.

REVISION OF ANNUAL CAPS

Reference is made to the announcement of the Company dated 9 July 2025 in relation to the revision of the Original Annual Caps. When setting the Original Annual Caps in December 2024, the Directors considered it reasonable to expect lower fee amounts as compared with the previous years in view of the streamlined scope of services and reduction in fee charging basis (i.e. from plus 5% to plus 3%) under the Consultancy Services Agreements as compared with the Previous Consultancy Services Agreements. However, due to the worsening economy and intense competition with other companies, the Group is compelled to undertake merchandise reforms and adjustments in business operations, as well as revisions to its store development strategy. For these purposes, the Company implemented enhancement projects with AEON China relating to supplier platform, various retail solutions and operational efficiency. These changes necessitate increased consultations with AEON China to ensure alignment and effective implementation. Consequently, the consumption of services pursuant to the Consultancy Services Agreements has surged, accumulating to a Service Fee of approximately RMB4.87 million for January to May 2025, after applying the Maximum Service Fee. This trend is expected to continue as the Group navigates these challenging economic conditions and strives to maintain its competitive edge. The Board first became aware that the Original Annual Caps could be insufficient in about April 2025 when conducting monthly review based on the then available actual transaction amounts. Given that the transaction amount for the first five months out of the 12 months of 2025 already amounted to approximately 49.2% of the Original Annual Cap for the year ending 31 December 2025, it is expected that the transaction amounts pursuant to the Consultancy Services Agreements will exceed the Original Annual Caps.

LETTER FROM THE BOARD

Each of the Recipient Company together with AEON China thus conducted a review of the consultancy services required from AEON China for each month of 2025 and re-estimated the Service Fee to be generated. The revised estimate for the 2025 fees were used to project the estimated fees for 2026 and 2027.

In light of the above, the Directors have resolved to revise the Original Annual Caps to the Revised Annual Caps as follows:

Financial Year	Original Annual Caps	Revised Annual Caps
1/1/2025 to 31/12/2025	HK\$9.9 million	RMB14.8 million
1/1/2026 to 31/12/2026	HK\$9.9 million	RMB15.7 million
1/1/2027 to 31/12/2027	HK\$9.9 million	RMB17.7 million

The Revised Annual Caps have been determined with reference to the historical transaction amounts under the Consultancy Services Agreements and the review of the consultancy services required of AEON China in each of the months in 2025 and estimated the service fees generated thereby. The actual Service Fee incurred from January to May 2025 was RMB4.87 million, exclusive of tax and after applying the Maximum Service Fee by reference to the sales amount recorded on the management accounts of the relevant members of the Group (the “**Unaudited Sales Amount**”) for the same period. Since the service fee incurred for January to May 2025 (based on 3% over AEON China’s costs) already exceeded the Maximum Service Fee based on the Unaudited Sales Amount for the same period, the Maximum Service Fee was applied to avoid overpayment of Service Fee by the end of the year. Based on the actual transaction amount incurred for the first five months of 2025, and having considered that the need for consultancy services from AEON China will continue in an increasing trend during the year, the Directors expect that the monthly Service Fee (based on estimated consumption of the consultancy services) for the remaining months of 2025 will range from approximately RMB1.48 million to RMB2.04 million, with an average of approximately RMB1.80 million (by applying a mark-up of 3% over the estimated cost of AEON China with respect to the services required by the Company for 2025) which is subject to the Maximum Service Fee. For 2025, the Directors also estimated the annual sales revenue and thus calculated the estimated maximum service fees (being 0.2% of the annual sales) for the relevant members of the Group. Having compared the respective estimated maximum service fees and the estimated service fees, the Directors noted that for the purpose of determining the Revised Annual Caps, AEON GD and ASC shall apply the estimated maximum service fee which is approximately RMB0.9 million per month on average and the Company shall apply the estimated service fees which is approximately RMB0.2 million per month on average. A buffer of 10% was further applied to estimate the fees for 2025. The actual and estimated fees for 2025 were used to project the estimated fees for 2026 and 2027 which are expected to show a slight upward trend to cater for annual increment of 5% in the staff salary which is the major cost incurred by AEON China in providing the consultancy services.

LETTER FROM THE BOARD

Notwithstanding the revision of the Original Annual Caps, all the terms and conditions of the Consultancy Services Agreements remain unchanged. As at the Latest Practicable Date, the Original Annual Caps have not been exceeded. The transaction amount under the Consultancy Services Agreements up to the date of EGM is not expected to exceed the Original Annual Cap for the year ending 31 December 2025.

Taking into account the above, the Directors consider the Revised Annual Caps to be reasonable.

REASONS FOR THE REVISION OF ANNUAL CAPS

AEON Co is a company listed on the Tokyo Stock Exchange, whose subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, specialty stores, the development of shopping centres as well as service and other operations in Japan and other Asian countries. In addition to having the skills and experience of the AEON Group in relation to the Japanese retail industry, AEON China has also developed specific skills and experience in relation to the PRC retail industry through its research and analyses. The entering into of the Consultancy Services Agreements will allow the Group to leverage on the expertise of AEON China, thereby enhancing its business operations, procurement activities and developments in the local market.

The Directors have been carefully monitoring the historical transacted amounts and estimated transaction amounts under the Consultancy Services Agreements. In view of the revised business projections as set out above, the Directors expect that the Original Annual Caps will be exceeded and therefore revised the Original Annual Caps.

The Directors, including all the independent non-executive Directors, are of the view that (i) the Consultancy Services Agreements and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Consultancy Services Agreements and the transactions contemplated thereunder, together with the Revised Annual Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Consultancy Services Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

At a Board meeting convened to consider the Revised Annual Caps, Mr. Toshiya Goto, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Hiroyuki Inohara and Mr. Yasutoshi Yokochi, who are Shareholders, employees and/or ex-employees of AEON Co, were regarded as potentially having a material interest in the Consultancy Services Agreements and accordingly abstained from voting on the relevant resolutions.

LETTER FROM THE BOARD

THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE AGREEMENT AND THE ATV CHINA MASTER SERVICE AGREEMENT

As disclosed in the announcement of the Company dated 31 December 2024, the Supplemental Master Trademark Licence Agreement dated 31 December 2024 entered into by the Company and ATV Japan was an interim measure for both parties to negotiate and finalize the terms and conditions of the renewal of the transactions under the Previous Master Trademark Licence Agreement, which expired on 31 December 2024. Pursuant to the Supplemental Master Trademark Licence Agreement, ATV Japan agreed to (and/or to procure the other members of the ATV Japan Group to) (i) grant the licence to use the TopValu Trademarks and (ii) provide the Services to members of the Group at a licence fee of 7% of the purchase costs of the ATV Products for a period of 3 months from 1 January 2025 to 31 March 2025.

Following commercial negotiations, the parties have agreed to separate the grant of licence and the provision of service into two separate master agreements and to reduce the licence fee from 7% of the purchase costs of the ATV Products under the Supplemental Master Trademark Licence Agreement to a total of 3.2% of the purchase costs of the ATV Products (being the sum of a 0.2% for the licence fee and a 3.0% for the service fee set out below) under the Master Licence Agreement and the Master Purchase Agreement and such reduction shall take effect from 1 March 2025.

As disclosed in the announcement of the Company dated 30 May 2025, the recent geopolitical risks faced by the PRC, in particular the rapidly changing tariffs imposed by the U.S. on the PRC, are adversely affecting manufacturers and related business operators who are serving and supporting them in the PRC. In addition, the geographical coverage of the services provided by the ATV Japan Group to the Group in the PRC (through the ATV China Group) is wider than that in Japan, due to the difference in the geographical size of the regions. Taking into account the impact of the aforesaid geopolitical risks on the supply of the ATV China Products, as well as the wider coverage of services provided by the ATV China Group compared with other members of the ATV Japan Group, the Company and ATV China further discussed and agreed that transactions between the ATV China Group and the Group shall be subject to different pricing terms from the Master Service Agreement. As a result, on 30 May 2025, the Company and ATV China separately entered into the ATV China Master Service Agreement which shall govern the provision of Services by the ATV China Group to the Group with effect from 1 June 2025.

LETTER FROM THE BOARD

The Master Licence Agreement

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

Date: 1 April 2025

Parties: (i) the Company; and
(ii) ATV Japan

Term: The Master Licence Agreement shall take effect from 1 March 2025 and up to 31 December 2027.

Nature of Transactions: ATV Japan agrees to grant (and/or procure other members of the ATV Japan Group to grant) to members of the Group the licence to use the TopValu Trademarks. The transactions under the Master Licence Agreement will be on normal commercial terms, on an arm's length basis and on terms not less favourable to which the members of the Group procure such services from independent third parties, or to which members of the ATV Japan Group provide such services to other parties.

Licence Fee: In consideration of the grant of the licence to use the TopValu Trademarks, the relevant member of the Group shall pay to the relevant member of the ATV Japan Group a licence fee equivalent to 0.2% of the purchase costs of the ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Group. A default interest of 1% per annum on any overdue amount shall be payable for the period from the original due date to the date of payment in full.

Trademark Licence: The Group shall be granted the non-exclusive right and licence to use the TopValu Trademarks in the Territory for the purpose of or in connection with the Business, including but not limited to applying or otherwise using the TopValu Trademarks (or procuring the TopValu Trademarks to be applied) on the products supplied by manufacturers or suppliers to the Group and the marketing, sale and promotional materials in connection with the Business. Members of the ATV Japan Group shall enter into specific licencing agreements with the relevant members of the Group, which adopt the terms and conditions set out in the Previous Master Trademark Licence Agreement and sets out the detailed terms, including but not limited to the arrangements relating to payment of the licence fee.

LETTER FROM THE BOARD

The Master Service Agreement

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

Date: 1 April 2025

Parties: (i) the Company; and
(ii) ATV Japan

Term: The Master Service Agreement shall take effect from 1 March 2025 and up to 31 December 2027.

Nature of Transactions: ATV Japan agrees to provide (and/or procure other members of the ATV Japan Group to provide) the Services to the members of the Group. The transactions under the Master Service Agreement will be on normal commercial terms, on an arm's length basis and on terms not less favourable to which the members of the Group procure such services from independent third parties, or to which members of the ATV Japan Group provide such services to other parties.

Service Fee: In consideration of the provision of Services (as defined below), the relevant member of the Group shall pay to the relevant member of the ATV Japan Group a service fee equivalent to 3.0% of purchase costs of the ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Group. A default interest of 1% per annum on any overdue amount shall be payable for the period from the original due date to the date of payment in full.

LETTER FROM THE BOARD

The Service: The ATV Japan Group shall provide to the Group the following services and shall be entitled to exercise control including the following:

- (a) conduct market research, planning and development of products;
- (b) establish product specifications;
- (c) provide to members of the Group with information on product specifications, product cost and related expenses;
- (d) manage production and conduct quality control on products;
- (e) provide information on promotion; and
- (f) any other services in connection with the above.

The Group shall obtain prior written approval from the relevant members of the ATV Japan Group before outsourcing to any third party the manufacturing of the ATV Products. Other than consumers, the Group shall not sell the ATV Products to any third party other than those designated by the ATV Japan Group.

LETTER FROM THE BOARD

The ATV China Master Service Agreement

The principal terms of the ATV China Master Service Agreement are as follows:

Date: 30 May 2025

Parties: (i) the Company; and
(ii) ATV China

Term: The ATV China Master Service Agreement shall take effect from 1 June 2025 and up to 31 December 2027.

Nature of Transactions: ATV China agrees to provide (and/or procure other members of the ATV China Group to provide) the China Services to the members of the Group. The transactions under the ATV China Master Service Agreement will be on normal commercial terms, on an arm's length basis and on terms not less favourable to which the members of the Group procure such China Services from independent third parties, or to which members of the ATV China Group provide such China Services to other parties.

Service Fee: Due to the different geographical size of Hong Kong and the PRC, the service fee payable by the Company and its PRC subsidiaries AEON GD and ASC (the "**PRC Subsidiaries**") to the ATV China Group are different, as set out below:

1. As between ATV China and the Company, in respect of the ATV China Products, 3% of the amount of purchase costs of the ATV China Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Company.
2. As between ATV China and the PRC Subsidiaries,
 - (a) in respect of the ATV China Products, 4% of the amount of purchase costs of the ATV China Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the PRC Subsidiaries;

LETTER FROM THE BOARD

- (b) in respect of the Japan ATV Products (manufactured in the PRC or Southeast Asia, including clothing, home and leisure products), 6.8% of the amount of purchase costs of the Japan ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the PRC Subsidiaries; and
- (c) in respect of the Japan ATV Products (manufactured in Japan including food, health beauty and care and the non-food section supermarket products), 4.8% of the amount of purchase costs of the Japan ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the PRC Subsidiaries.

The Service:

The ATV China Group shall provide to the Group the following services (the “**China Services**”), according to the actual needs as the parties may mutually agree, and shall be entitled to exercise control including the following:

Quality control internal sales development work details

- 1) Factory inspection, code of conduct audit, certificate issuance work
- 2) Initial production attendance (food), pre-shipment inspection (health, beauty and care, clothing and other items)
- 3) Existing factory check function, production management
- 4) Customer service work, complaint cause investigation response
- 5) Product inspection and annual inspection arrangement
- 6) Start application, delivery judgment document check and payment
- 7) Other (sharing of legal revision information with the development department) when revisions are announced

LETTER FROM THE BOARD

Transaction management internal sales development work details

- 1) New supplier credit investigation (planning investigation), information provision and risk presentation
- 2) Confirmation of supplier contract contents, submission of office automation application and management of contract/manufacturer materials
- 3) Confirmation and application of new product registration
- 4) Product master management
- 5) Implementation of ordering recommendations and collection/summary of order quantities from each company
- 6) Ordering and delivery management to manufacturers
- 7) Billing for product prices to business companies
- 8) Checking product prices with manufacturers and applying for payment
- 9) Organizing and submitting sales data
- 10) Calculation of related party transaction-related expenses and submission of figures (licence fee + service fee + development cost)
- 11) Calculation of licence fee for Japan
- 12) Confirmation, control and payment application for trunk line logistics expenses
- 13) Change and update of estimates according to changes in development work
- 14) Handling of south China related party transaction-related work
- 15) Delivery expansion to new business companies

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The Directors estimate that the maximum amount payable by the Company to the ATV Japan Group under the Master Licence Agreement and the Master Service Agreement (to the extent that fees are payable to ATV Japan Group (excluding ATV China Group for the period from 1 June 2025 to 31 December 2027)) during their term will not exceed the Proposed Annual Caps below:

Financial Year	Relevant agreements and term	Proposed Annual Caps
1/1/2025 to 31/12/2025	• Supplemental Master	HK\$9.3 million ^(Note)
1/1/2026 to 31/12/2026	Trademark Licence Agreement (1/1/2025 to 28/2/2025)	HK\$6.8 million
1/1/2027 to 31/12/2027	• Master Licence Agreement and Master Service Agreement (1/3/2025 to 31/12/2027)	HK\$8.9 million

Note: This amount is inclusive of the Group's transactions with the ATV Japan Group (excluding the ATV China Group) for the period from 1 January 2025 to 31 December 2025 in the estimated amount of HK\$5.7 million; and with the ATV China Group (i) under the Supplemental Master Trademark Licence Agreement for the period from 1 January 2025 to 28 February 2025 and (ii) under the Master Licence Agreement and the Master Service Agreement for the period from 1 March 2025 to 31 May 2025 in the estimated amount of HK\$3.6 million.

In arriving at the Proposed Annual Caps, the Directors have taken into account (i) historical transaction amounts under the Previous Master Trademark Licence Agreement as set out below; (ii) the Company's plans for ATV Products procurement which made up about 8% of the total merchandise purchase in 2024 while the Group intends to gradually increase the portion to above 17% of its total merchandise purchase by 2027. The Group's purchase of ATV Products has increased by approximately 147% in January 2025 as compared with January 2024. The purchases are expected to increase by 17% to 47% across different product types (namely, fashion, food, household fashion, and health and beauty care) for 2026 and 4% to 12% for 2027. In particular, it is expected that there will be introduction of new ATV Products such as seasonal fruits and ice-cream, tissues and kitchen paper starting from the second half of 2025; and (iii) the expected business growth of the Group, in particular that the Group plans to open at least 12 new stores in Hong Kong (due to the decreased rental levels for commercial properties) and the PRC (to further capture the PRC consumer market) each year starting from 2025. Taking into account the above, the Directors (including all the independent non-executive Directors) consider that the Proposed Annual Caps are fair and reasonable.

LETTER FROM THE BOARD

The Directors estimate that the maximum amount payable by the Company to the ATV China Group under the Master Licence Agreement (to the extent that fees are payable to ATV China Group) and the ATV China Master Service Agreement during their term will not exceed the ATV China Proposed Annual Caps below:

Financial Year	Relevant agreement and term	ATV China Proposed Annual Caps
1/6/2025 to 31/12/2025	Master Licence Agreement (to the	HK\$4.9 million
1/1/2026 to 31/12/2026	extent that fees are payable to ATV	HK\$8.9 million
1/1/2027 to 31/12/2027	China Group) and ATV China Master Service Agreement (1/6/2025 to 31/12/2027)	HK\$11.9 million

In arriving at the ATV China Proposed Annual Caps, the Directors have taken into account (i) historical transaction amounts with the ATV China Group under the Previous Master Trademark Licence Agreement as set out below; (ii) the availability and the development pace of such ATV China Products which may be obtained by the Group from manufacturers and suppliers independent of ATV Japan, AEON Co, its subsidiaries and associates; (iii) the Group's plans for ATV China Products procurement which made up about 8% of the total merchandise purchase in 2024 while the Group intends to gradually increase the portion to above 17% of its total merchandise purchase by 2027. The purchases are expected to increase by 17% to 47% across different product types (namely, fashion, food, household fashion, and health and beauty care) for 2026 and 4% to 12% for 2027. In particular, it is expected that there will be introduction of new ATV China Products such as seasonal fruits and ice-cream, tissues and kitchen paper starting from the second half of 2025; and (iv) the expected business growth of the Group, in particular that the Group plans to open at least 12 new stores in Hong Kong (due to the decreased rental levels for commercial properties) and the PRC (to further capture the PRC consumer market) each year starting from 2025. Taking into account the above, the Directors (including all the independent non-executive Directors) consider that the ATV China Proposed Annual Caps are fair and reasonable.

The Combined Annual Caps representing all transactions under the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement are set out below:

LETTER FROM THE BOARD

Financial Year	Relevant agreements and term	Combined Annual Caps
1/1/2025 to 31/12/2025	<ul style="list-style-type: none">Supplemental Master Trademark Licence Agreement (1/1/2025 to 28/2/2025) for fees payable to the ATV Japan Group (including the ATV China Group)	HK\$14.2 million ^(Notes 1, 2)
1/1/2026 to 31/12/2026	<ul style="list-style-type: none">Master Licence Agreement and Master Service Agreement (1/3/2025 to 31/12/2027) for fees payable to the ATV Japan Group (including the ATV China Group for 1/3/2025 to 31/5/2025 only)	HK\$15.7 million ^(Note 2)
1/1/2027 to 31/12/2027	<ul style="list-style-type: none">Master Licence Agreement (to the extent that fees are payable to ATV China Group) and ATV China Master Service Agreement (1/6/2025 to 31/12/2027) for fees payable to the ATV China Group	HK\$20.8 million ^(Note 2)

Notes:

1. This amount is inclusive of the Group's transactions with the ATV Japan Group (excluding the ATV China Group) for the period from 1 January 2025 to 31 December 2025 in the estimated amount of HK\$5.7 million; with the ATV China Group, (i) under the Supplemental Master Trademark Licence Agreement for the period from 1 January 2025 to 28 February 2025 and (ii) under the Master Licence Agreement and the Master Service Agreement for the period from 1 March 2025 to 31 May 2025 in the estimated amount of HK\$3.6 million; and with the ATV China Group under the ATV China Master Service Agreement in the estimated amount of HK\$4.9 million.
2. In the event that Independent Shareholders' approval is not obtained at the EGM for the Combined Annual Caps, the maximum amount payable by the Company to the ATV Japan Group/ATV China Group under the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement in aggregate for each of the three years ending 31 December 2027 shall not exceed HK\$10 million.

LETTER FROM THE BOARD

Historical transaction amounts paid by the Company to the ATV Japan Group (including the ATV China Group) under the Previous Master Trademark Licence Agreement and the Supplemental Master Trademark Licence Agreement are set out below:

Financial Year	Annual Caps under Previous Master Trademark Licence Agreement and the Supplemental Master Trademark Licence Agreement	Actual Transaction Amount
1/1/2022 to 31/12/2022	HK\$32.7 million	HK\$12.9 million
1/1/2023 to 31/12/2023	HK\$41.8 million	HK\$11.2 million
1/1/2024 to 31/12/2024	HK\$53.7 million	HK\$12.2 million
1/1/2025 to 28/2/2025	HK\$5.0 million	HK\$3.7 million

Historical transaction amounts paid by the Company to the ATV China Group under the Previous Master Trademark Licence Agreement are set out below:

Financial Year	Actual Transaction Amount
1/1/2022 to 31/12/2022	HK\$6.5 million
1/1/2023 to 31/12/2023	HK\$5.4 million
1/1/2024 to 31/12/2024	HK\$5.3 million

The actual transaction amount paid by the Group to the ATV Japan Group (including the ATV China Group) under Supplemental Master Trademark Licence Agreement, the Master Licence Agreement and the Master Service Agreement from 1 January 2025 up to 31 May 2025 was HK\$5.3 million. The Company expects that the transaction amount with the ATV Japan Group and the ATV China Group under the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (as applicable) up to the date of the EGM will fall within the de minimis threshold under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE AGREEMENT AND THE ATV CHINA MASTER SERVICE AGREEMENT

Since 2019, through the Previous Master Trademark Licence Agreement, the Group has been granted the non-exclusive right and licence to use the TopValu Trademarks and has been purchasing the ATV Products directly from the manufacturers and suppliers independent of ATV Japan, AEON Co, its subsidiaries and associates. Such ATV Products would then be sold by the Group to its customers at its retail stores. As the Previous Master Trademark Licence Agreement expired on 31 December 2024 and in order to avoid any disruption to the business operations of the Group, the Company and ATV Japan agreed to continue to grant to the Group the licence to use the TopValu Trademarks and provide the ancillary services to the Group by entering into the Supplemental Master Trademark Licence Agreement on the same terms and conditions as those under the Previous Master Trademark Licence Agreement for a period of 3 months from 1 January 2025 to 31 March 2025 as an interim measure.

Following commercial negotiations, the parties have agreed to separate the grant of licence and the provision of service into two separate master agreements and to reduce the licence fee from 7% of the purchase costs of the ATV Products under the Supplemental Master Trademark Licence Agreement to a total of 3.2% of the purchase costs of the ATV Products (being the sum of a 0.2% for the licence fee and a 3.0% for the service fee) under the Master Licence Agreement and the Master Purchase Agreement and such reduction shall take effect from 1 March 2025. The terms of the Master Licence Agreement and the Master Service Agreement have been reached after arm's length negotiations between the Company and ATV Japan.

Due to recent geopolitical risks and other factors as elaborated above, the Company and ATV China (being a wholly-owned subsidiary of ATV Japan) further discussed and agreed that transactions between the ATV China Group and the Group shall be subject to different pricing terms from the Master Service Agreement. The terms of the ATV China Master Service Agreement have been reached after arm's length negotiations between the Company and ATV China.

The Directors, including all the independent non-executive Directors, are of the view that (i) the terms of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement, and the transactions contemplated thereunder (including the Combined Annual Caps) are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement are in the ordinary and usual course of business of the Company and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

THE MASTER ATV PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 31 December 2024 in relation to the Master ATV Purchase Agreement entered into by the Company and ATV Japan to govern the Company's purchases of the ATV Products which the Company cannot directly obtain from independent manufacturers and suppliers due to exclusivity and/or other supply restrictions from ATV Japan.

Principal terms

The principal terms of the Master ATV Purchase Agreement are as follows:

Date: 31 December 2024

Parties: the Company; and

ATV Japan

Term: Subject to the approval by the Company's Independent Shareholders and compliance with all applicable requirements under the Listing Rules by the relevant parties to the Master ATV Purchase Agreement (together, the "**Conditions Precedent**"), the term of the Master ATV Purchase Agreement shall be a period of three years commencing on 1 January 2025 and expiring on 31 December 2027. If the Conditions Precedent have not been fulfilled as certified by the respective party, the Master ATV Purchase Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach.

Nature of Transactions: The Company will purchase from ATV Japan a variety of the ATV Products which ATV Japan procures from manufacturers and suppliers who are third parties independent of ATV Japan, AEON Co, its subsidiaries and associates. Such merchandise covers a wide range of categories, such as fashion, food and household items, and would then be sold by the Company to retail customers at its general merchandise stores, supermarket stores and retail stores.

Pricing policy: The sale and purchase of the ATV Products between the parties will be charged at such price being the Actual Costs plus a mark-up rate of 3% of the Actual Costs. The total price (being the Actual Costs plus a mark-up rate of 3% of the Actual Costs) shall be inclusive of the merchandise costs, agency fee, provision of product information, administration fee, sample fee, system registration fee and all other services incidental to the sale of the ATV Products by ATV Japan.

LETTER FROM THE BOARD

The prices offered by ATV Japan to the Company shall be no less favourable than (i) the prices offered by independent supplier(s) of the Company for the same or similar merchandises at the same delivery destination; and (ii) the prices offered by ATV Japan to its other purchaser(s) of the AEON Group, if any, having disregarded the delivery charges which vary according to the relative location of a purchasing party.

Sales Contracts: The Company shall enter into specific sale and purchase contracts with ATV Japan, which adopt the terms and conditions set out in the Master ATV Purchase Agreement and the standard terms and conditions of the Company prevailing at the time of execution of the sale and purchase contract. The sale and purchase contracts will set out detailed terms (e.g. the payment terms) of the sale and purchase of ATV Products.

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

In addition, both parties agree to allow the other party's auditors sufficient access to their records for the purpose of auditing and/or reporting on the transactions in accordance with the requirements of the Listing Rules.

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

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The Directors estimate that the maximum amount payable by the Company to ATV Japan under the Master ATV Purchase Agreement on an annual basis will not exceed the ATV Purchase Proposed Annual Caps below:

Financial Year	ATV Purchase Proposed Annual Caps
1/1/2025 to 31/12/2025	HK\$11.3 million <i>(Note)</i>
1/1/2026 to 31/12/2026	HK\$14.0 million <i>(Note)</i>
1/1/2027 to 31/12/2027	HK\$15.3 million <i>(Note)</i>

Note: In the event that Independent Shareholders' approval is not obtained at the EGM for the ATV Purchase Proposed Annual Caps, the maximum amount payable by the Company to the ATV Japan Group under the Master ATV Purchase Agreement for each of the three years ending 31 December 2027 shall not exceed HK\$10 million.

In arriving at the above annual caps, the Directors have taken into account (i) the historical transaction amount in respect of procurement of ATV Products pursuant to the Previous Master Trademark Licence Agreement; (ii) the fact that around one-third of the Group's total ATV Products purchase cannot be obtained by the Company directly from manufacturer and suppliers independent of ATV Japan, AEON Co, its subsidiaries and associates; (iii) the Company's plans for ATV Products procurement which made up about 8% of the total merchandise purchase in 2024 while the Group intends to gradually increase the portion to above 17% of its total merchandise purchase by 2027, The Group's purchase of ATV Products has increased by approximately 147% in January 2025 as compared with January 2024. The purchases are expected to increase by 17% to 47% across different product types (namely, fashion, food, household fashion, and health and beauty care) for 2026 and 4% to 12% for 2027. In particular, it is expected that there will be introduction of new ATV Products such as seasonal fruits and ice-cream, tissues and kitchen paper starting from the second half of 2025; and (iv) the expected business growth of the Group (including the opening of new stores) for existing and new stores, in particular that the Group plans to open at least 12 new stores in Hong Kong (due to the decreased rental levels for commercial properties) and the PRC (to further capture the PRC consumer market) each year starting from 2025. Taking into account the above, the Directors consider that the annual caps for the Master ATV Purchase Agreement are fair and reasonable.

Prior to the entering into of the Master ATV Purchase Agreement, there was no historical transaction in relation to the transactions contemplated under the Master ATV Purchase Agreement between the Company and ATV Japan, apart from an amount of approximately HK\$94,489 arising from a test run conducted in December 2024.

The actual transaction amount incurred under the Master ATV Purchase Agreement from 1 January 2025 up to 31 May 2025 was HK\$5.5 million. The Company expects that the transaction amount up to the date of the EGM will fall within the de minimis threshold under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER ATV PURCHASE AGREEMENT

While the Group was able to purchase a wide range of ATV Products directly from independent manufacturers and suppliers under the Previous Master Trademark Licence Agreement, there are certain merchandise that the Group cannot purchase directly from certain independent manufacturers or suppliers due to exclusivity and/or supply restrictions. As such, the Company and ATV Japan conditionally entered into the Master ATV Purchase Agreement to allow the Company to have access to those restricted merchandise.

The terms of the Master ATV Purchase Agreement have been reached after arm's length negotiations between the Company and ATV Japan.

The Directors, including all the independent non-executive Directors, are of the view that (i) the terms of the Master ATV Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the Master ATV Purchase Agreement are in the ordinary and usual course of business of the Company and in the interest of the Company and its Shareholders as a whole.

INTERNAL CONTROL

As part of the Group's internal control systems, the Company's Connected Party Transaction Panel, comprising corporate planning senior manager, finance manager, legal senior manager and the finance/administration general managers of two subsidiaries of the Company, will assist the Directors to review and monitor all connected transactions of the Group including the transactions under (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement. The Connected Party Transaction Panel generally holds meetings bi-weekly to review and monitor all continuing connected transactions of the Group. The finance departments of the relevant members of the Group will conduct the initial level of control over the transaction and the transaction amounts under (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement, to ensure they are conducted within the frameworks and the annual caps of the Consultancy Services Agreements, the Master Licence Agreement, the Master Service Agreement, the ATV China Master Service Agreement and the Master ATV Purchase Agreement. Where necessary, the Connected Party Transaction Panel will conduct bi-annual review of the transactions under (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement, to ensure the transactions are conducted within the framework of (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement, respectively, and monitor the utilisation of the annual caps for (i) the Consultancy Services Agreements; (ii) the Proposed Annual Caps for the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement, respectively, to ensure timely compliance with the requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

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

AEON China is principally engaged in, among others, the provision of consultancy services, technical support and training in relation to matters such as product manufacturing, sales, market development and procurement. It is a subsidiary of AEON Co.

ATV Japan is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items. It is a subsidiary of AEON Co.

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

ATV China is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items. It is a wholly-owned subsidiary of ATV Japan.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, AEON China is a connected person of the Company by virtue of it being a subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Consultancy Services Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As at the Latest Practicable Date, each of ATV Japan, ATV China and AEON Co is a connected person of the Company by virtue of AEON Co being the controlling shareholder of the Company and ATV Japan being a subsidiary of AEON Co. Accordingly, the transactions contemplated under the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement constitute continuing connected transactions for the Company under the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company proposes to revise the Original Annual Caps for the Consultancy Services Agreements, the Company is required to comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

LETTER FROM THE BOARD

As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules for each of the Revised Annual Caps, the Combined Annual Caps and the ATV Purchase Proposed Annual Caps exceeds 5% respectively, the (i) Revised Annual Caps and the transactions contemplated under the Consultancy Services Agreements, (ii) the Combined Annual Caps and the transactions contemplated under the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement and (iii) the ATV Purchase Proposed Annual Caps and the transactions contemplated under the Master ATV Purchase Agreement constitute non-exempt continuing connected transactions for the Company, and are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the Revised Annual Caps; (ii) the terms of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps); and (iii) the terms of the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps), and whether the aforementioned transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 36 to 56 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

EGM

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the Revised Annual Caps. At the EGM, an ordinary resolution approving (i) the Revised Annual Caps; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps); and (iii) the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps) shall be proposed and, if thought fit, approved by the Independent Shareholders.

LETTER FROM THE BOARD

In view of AEON Co's interests in (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement, AEON Co (which as at the Latest Practicable Date beneficially held 155,760,000 Shares, representing approximately 59.91% of the issued Shares) and its associates (namely, AEON Credit, which is a subsidiary of AEON Co and as at the Latest Practicable Date was a beneficial owner of 1,776,000 Shares, representing approximately 0.68% of the issued Shares) are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve (i) the Revised Annual Caps; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps); and (iii) the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps), respectively.

Mr. Toshiya Goto, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Hiroyuki Inohara, Mr. Kenji Fujita and Mr. Yasutoshi Yokochi are shareholders, employees and/or ex-employees of AEON Co and are regarded as potentially having a material interest in (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps), respectively. Accordingly, they have abstained from voting on the relevant resolutions at the Board meeting convened to consider the Revised Annual Caps (except for Mr. Kenji Fujita who had then ceased to be a Director), the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement (including the Combined Annual Caps) and the Master ATV Purchase Agreement (including the ATV Purchase Proposed Annual Caps), respectively. For the same reason, Mr. Takenori Nagashima and Mr. Shinya Hisanaga (being Shareholders of the Company) will also abstain from voting on the relevant resolution as Shareholders at the EGM. Apart from the above persons, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolutions at the EGM.

A notice convening the EGM to be held at Function Room, Units 07-11, 26 Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Tuesday, 29 July 2025 at 9:00 a.m. is set out on pages 62 to 65 of this circular.

A form of proxy for the EGM is enclosed herewith. Whether or not Shareholders are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude Shareholders from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 July 2025 to Tuesday, 29 July 2025, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. The record date for determining the eligibility of the Shareholders to attend and vote at the EGM will be Tuesday, 29 July 2025. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Investor Services Limited, at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Wednesday, 23 July 2025.

RECOMMENDATION

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

FURTHER INFORMATION

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

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



AEON STORES (HONG KONG) CO., LIMITED

永旺（香港）百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

14 July 2025

To: the Independent Shareholders

Dear Sir/Madam,

**(1) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE CONSULTANCY
SERVICES AGREEMENTS**

**(2) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE
AGREEMENT AND THE ATV CHINA MASTER SERVICE AGREEMENT
AND**

**(3) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER ATV PURCHASE AGREEMENT**

We refer to the circular of the Company dated 14 July 2025 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether, in our opinion, the Revised Annual Caps and the transactions contemplated under each of (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement and (iii) the Master ATV Purchase Agreement, are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps and the transactions contemplated under (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board set out on pages 7 to 33 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 34 to 35 of the Circular which contains its opinion in respect of the Revised Annual Caps and the transactions contemplated under (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement; and (iii) the Master ATV Purchase Agreement.

Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the Revised Annual Caps and the transactions contemplated under each of (i) the Consultancy Services Agreements; (ii) the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement and (iii) the Master ATV Purchase Agreement, are conducted by the Company in its ordinary and usual course of business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolutions set out in the EGM Notice.

Yours faithfully,
Independent Board Committee of
AEON Stores (Hong Kong) Co., Limited
Mr. Hideto Mizuno
Ms. Shum Wing Ting
Ms. Wong Mei Ling
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Consultancy Services Agreements, the master agreements relating to ATV Products, the Revised Annual Caps, the Combined Annual Caps and the ATV Purchase Proposed Annual Caps, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 July 2025

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

Dear Sir/Madam,

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE CONSULTANCY SERVICES AGREEMENTS
(2) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER LICENCE AGREEMENT, THE MASTER SERVICE
AGREEMENT; AND THE ATV CHINA MASTER SERVICE AGREEMENT
(3) CONTINUING CONNECTED TRANSACTIONS – ENTERING INTO
OF THE MASTER ATV PURCHASE AGREEMENT**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Revised Annual Caps; and (ii) the terms of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement entered into by the Company on one hand and ATV Japan and ATV China on the other and the Combined Annual Caps; and (iii) the terms of the Master ATV Purchase Agreement (together with the master agreements in (ii), the “**ATV Master Agreements**”) entered into by the Company on one hand and ATV Japan on the other and the ATV Purchase Proposed Annual Caps (together with the Combined Annual Caps, the “**ATV Annual Caps**”), details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 14 July 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and the letter from the Board therein unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As the highest of the applicable percentage ratios in respect of each of (i) the Revised Annual Caps; (ii) the Combined Annual Caps; and (iii) the ATV Purchase Proposed Annual Caps are more than 5%, the transactions contemplated under each of (i) Consultancy Services Agreements, and (ii) the ATV Master Agreements constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Hideto Mizuno, Ms. Shum Wing Ting, and Ms. Wong Mei Ling has been formed to advise the Independent Shareholders as to whether (i) the Revised Annual Caps and (ii) the terms of the ATV Master Agreements, and the ATV Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited ("**Somerley**"), have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, AEON China, ATV Japan and ATV China or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on (i) the Revised Annual Caps; and (ii) the terms of the ATV Master Agreements and the ATV Annual Caps. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, AEON China, ATV Japan and ATV China or their respective substantial shareholders or associates.

During the past two years, we acted as the independent financial adviser and issued opinion letters regarding the Company's continuing connected transactions as contained in its circulars dated 3 August 2023, 6 December 2023, 16 July 2024 and 25 February 2025. The past engagements were limited to providing independent advisory services to the Company pursuant to the Listing Rules. Under the past engagements, we received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between Somerley on one hand and the Group, AEON China, ATV Japan and ATV China, and their respective substantial shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Revised Annual Caps, the transactions contemplated under the ATV Master Agreements and the ATV Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have reviewed, amongst others, the Consultancy Services Agreements, the ATV Master Agreements, the annual report of the Company for the year ended 31 December 2024 and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group (the “**Management**”) regarding the businesses of the Group and the prospects of conducting the transactions contemplated under the Consultancy Services Agreements and the ATV Master Agreements.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to (i) the Revised Annual Caps; and (ii) the ATV Master Agreements and the ATV Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

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

2. Information on the counterparties

AEON China

AEON China is principally engaged in, among others, the provision of consultancy services, technical support and training in relation to matters such as product manufacturing, sales, market development and procurement. It is a subsidiary of AEON Co.

ATV Japan

ATV Japan is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items. It is a subsidiary of AEON Co.

ATV China

ATV China is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items. It is a subsidiary of ATV Japan.

3. Reasons for and benefits of the Revision of Annual Caps and the entering into the ATV Master Agreements

(I) Consultancy Services Agreements

AEON Co is a company listed on the Tokyo Stock Exchange, whose subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, specialty stores, the development of shopping centres as well as service and other operations in Japan and other Asian countries. In addition to having the skills and experience of the AEON Group in relation to the Japanese retail industry, AEON China has also developed specific skills and experience in relation to the PRC retail industry through its research and analyses. The entering into of the Consultancy Services Agreements will allow the Group to leverage on the expertise of AEON China, thereby enhancing its business operations, procurement activities and developments in the local market.

The Directors have been carefully monitoring the historical transacted amounts and estimated transaction amounts under the Consultancy Services Agreements. In view of the revised business projections, the Directors expect that the Original Annual Caps will be exceeded and therefore revised the Original Annual Caps.

The Directors, including all the independent non-executive Directors, are of the view that (i) the Consultancy Services Agreements and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Consultancy Services Agreements and the transactions contemplated thereunder, together with the Revised Annual Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Consultancy Services Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) ATV Master Agreements

As disclosed in the announcement of the Company dated 31 December 2024, the Supplemental Master Trademark Licence Agreement dated 31 December 2024 entered into by the Company and ATV Japan was an interim measure for both parties to negotiate and finalize the terms and conditions of the renewal of the transactions under the Previous Master Trademark Licence Agreement, which expired on 31 December 2024. Pursuant to the Supplemental Master Trademark Licence Agreement, ATV Japan agreed to (and/or to procure the other members of the ATV Japan Group to) (i) grant the licence to use the TopValu Trademarks and (ii) provide the Services to members of the Group at a license fee of 7% of the purchase costs of the ATV Products for a period of 3 months from 1 January 2025 to 31 March 2025.

Following commercial negotiations, the parties have agreed to separate the grant of licence and the provision of service into two separate master agreements and to reduce the license fee from 7% of the purchase costs of the ATV Products under the Supplemental Master Trademark Licence Agreement to a total of 3.2% of the purchase costs of the ATV Products (being the sum of a 0.2% for the license fee and a 3.0% for the service fee set out below) under the Master Licence Agreement and the Master Service Agreement and such reduction shall take effect from 1 March 2025.

As disclosed in the announcement of the Company dated 30 May 2025, the recent geopolitical risks faced by the PRC, in particular the rapidly changing tariffs imposed by the U.S. on the PRC, are adversely affecting manufacturers and related business operators who are serving and supporting them in the PRC. In addition, the geographical coverage of the services provided by the ATV Japan Group to the Group in the PRC (through the ATV China Group) is wider than that in Japan, due to the difference in the geographical size of the regions. Taking into account the impact of the aforesaid geopolitical risks on the supply of the ATV China Products, as well as the wider coverage of services provided by the ATV China Group compared with other members of the ATV Japan Group, the Company and ATV China further discussed and agreed that transactions between the ATV China Group and the Group shall be subject to different pricing terms from the Master Service Agreement. As a result, on 30 May 2025, the Company and ATV China separately entered into the ATV China Master Service Agreement which shall govern the provision of Services by the ATV China Group to the Group with effect from 1 June 2025.

4. Principal Terms of the Consultancy Services Agreements and the ATV Master Agreements

(I) Consultancy Services Agreements

Pursuant to the Consultancy Services Agreements, each Recipient Company agrees to continue to obtain from AEON China and AEON China agrees to continue to provide to each Recipient Company the consultancy services for their business operations in Hong Kong and the PRC on the terms set out in the Consultancy Services Agreements. Such terms shall be on normal commercial terms, on an arm's length basis and are on terms no less favourable to which the Company and/or the relevant member of the Group procures such services from independent third parties, or to which AEON China provides such services to other parties. The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2025 and expiring on 31 December 2027.

Each of the Recipient Companies shall pay a service fee for the provision of the consultancy services by AEON China. The service fee shall be charged to the Group on a cost-plus basis, representing AEON China's total costs of providing the consultancy services plus 3% of such costs together with related taxes. Where AEON China also provides the consultancy services to other AEON group companies ("**Other Recipients**", together with Recipient Companies, "**Recipients**"), AEON China's total costs plus a mark-up shall be borne by the Recipient Companies and Other Recipients. The service fee payable by (i) the Company; and (ii) each of AEON GD and ASC is subject to an annual maximum fee of (i) 0.15% and (ii) 0.20% of their respective audited total sales amount for that financial year.

We have reviewed the Consultancy Services Agreements and the Previous Consultancy Services Agreements and noted that (i) a new sharing basis of AEON China's total costs and a lower mark-up rate were adopted in the Consultancy Services Agreements; and (ii) the number of Other Recipients has increased from 4 to 5. In the Previous Consultancy Services Agreements, the sharing ratio was based on the revenue of the Recipient Companies divided by the total revenue of all Recipients as compared to the number of Recipient Companies divided by the total number of Recipients in the Consultancy Services Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Management the sharing basis and are advised that the revised sharing basis and mark-up rate, which were agreed after several rounds of negotiations with the parties, are expected to achieve cost savings for the Group. We have been provided and reviewed the revenue of each of the Recipient Companies and Other Recipients for FY2022 – FY2024 and noted that the Group’s revenue accounted for over 70% of the total revenue of all Recipients as compared to 3 Recipient Companies divided by total number of Recipients (i.e. 37.5%) in cases where all Recipients need the same services from AEON China. On this basis, we concur with the Management that the revised sharing basis and mark-up rate are in the interest of the Company.

In order to assess the fairness and reasonableness of the pricing for the provision of consultancy services under the Consultancy Services Agreements, we have endeavoured to identify comparable transactions announced by companies listed on the Main Board of the Stock Exchange that fall within department stores category based on AASTOCKS.com by way of announcement in the past three years (i.e. from 1 January 2022 to 31 December 2024, the “**Review Period**”). However, no comparable transaction is identified. We then extended our scope of search for the companies under (i) hypermarkets, supermarkets and convenience stores; (ii) apparels and accessories; (iii) apparel, accessories and luxury goods retail; (iv) packaged foods; and (v) restaurants categories on AASTOCKS.com and looked up the transactions based on the above criteria (the “**Comparable Transactions**”). A summary of the Comparable Transactions is set out in the table below:

Date	Company (stock code)	Transaction description	Pricing terms
31 May 2024	Tam Jai International Co. Limited (“ Tam Jai ”) (2217)	The provision of management services by the group to its connected parties include: (i) assistance in stabilising the business operations, procurement process, marketing activities and strengthening the enforcement of reporting system; and (ii) provision of expertise and knowledge sharing on improving frontline store operations, marketing plans and general support services.	A maximum mark-up rate of 3% over the actual cost incurred by the group for the provision of management services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date	Company (stock code)	Transaction description	Pricing terms
28 March 2024	Tam Jai	<p>The provision of business consulting services by a connected party of the company to the company include:</p> <ul style="list-style-type: none"> (i) assistance in the development of the strategies for the business of the group; (ii) provision of statistical information on market trends or competitive analysis and sharing insights to each geographic region of the business of the group; and (iii) provision of expertise and knowledge sharing on improving frontline store operations and providing advice on the development of guidelines for the operations of the business of the group. 	A maximum mark-up rate of 3% over the actual cost incurred by the connected party of the company for the provision of business consulting services.
26 March 2024	Dickson Concepts (International) Limited (113) (“ Dickson Concepts ”)	The provision of certain management and supporting services, centralised administrative and supporting functions including management, stock control and information technology to its connected parties.	A cost or cost plus 12% (as may be required by the relevant tax or other rulings or regulations).

As shown in the table above, three Comparable Transactions are identified. The service fee charged or paid by Tam Jai is calculated based on a maximum mark-up of 3% over the actual cost incurred by the service providers, which are similar to the mark-up rate under the Consultancy Services Agreements, while the service fee charged by Dickson Concepts is at cost or cost plus 12%. We consider Tam Jai, which is a mass-market retailer similar to the Group, to be a close comparable as opposed to Dickson Concepts, which is a luxury brand retailer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the reasons for and benefits of entering into of the Consultancy Services Agreements as discussed above; (ii) the new sharing basis with respect to the total cost of AEON China plus a lower mark-up rate is beneficial to the Group; and (iii) the mark-up rate of 3% over the cost for the provision of consultancy services by AEON China under the Consultancy Services Agreements is similar to the mark-up rates of Tam Jai which is considered to be a close comparable to the Group, we are of the view that the terms of the Consultancy Services Agreements are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(II) ATV Master Agreements

A summary of the principal terms of the Master Purchase Agreement, the Master Licence Agreement, Master Service Agreement and ATV China Master Service Agreement is set out as follows:

	Master Purchase Agreement	Master Licence Agreement	Master Service Agreement	ATV China Master Service Agreement
Date:	31 December 2024	1 April 2025	1 April 2025	30 May 2025
Parties:	The Company as purchaser ATV Japan as supplier	The Company as licensee ATV Japan as licensor	The Company as user ATV Japan as service provider	The Company as user ATV China as service provider
Term:	From 1 January 2025 to 31 December 2027	From 1 March 2025 to 31 December 2027	From 1 March 2025 to 31 December 2027	From 1 June 2025 to 31 December 2027
Subject matter:	Purchase of a variety of the ATV Products. Such merchandise covers a wide range of categories, such as fashion, food and household items, and would then be sold by the Company to retail customers at its general merchandise stores, supermarket stores and retail stores.	Granting the Group non-exclusive right and licence to use TopValu Trademarks in the Territory for the purpose of or in connection with the Business, including but not limited to applying or otherwise using the TopValu Trademarks (or procuring the TopValu Trademarks to be applied) on the products supplied by manufacturers or suppliers to the Group and the marketing, sale and promotional materials in connection with the Business.	Providing the Japan Services (as defined hereinafter) to members of the Group	Providing the China Services to members of the Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Master Purchase Agreement	Master Licence Agreement	Master Service Agreement	ATV China Master Service Agreement
Pricing policy/ fee:	The total price (being the Actual Costs plus a mark-up rate of 3% of the Actual Costs) shall be inclusive of the merchandise costs, agency fee, provision of product information, administration fee, sample fee, system registration fee and all other services incidental to the sale of the ATV Products by ATV Japan.	A license fee of 0.2% of the purchase costs of the ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers. A default interest of 1% per annum on any overdue shall be payable by the Group.	A service fee equivalent to 3.0% of purchase costs of the ATV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Group. A default interest of 1% per annum on any overdue amount shall be payable by the Group.	For the Company: 3.0% of purchase costs of the ATV China Products supplied by manufacturers or suppliers to the Company For the PRC Subsidiaries: <ul style="list-style-type: none"> – in respect of the ATV China Products, 4% of the amount of purchase costs of the ATV China Products; – in respect of the Japan ATV Products (manufactured in the PRC or Southeast Asia, including clothing, home and leisure products), 6.8% of the amount of purchase costs of the Japan ATV Products supplied by manufacturers or suppliers to the PRC Subsidiaries; and – in respect of the Japan ATV Products (manufactured in Japan including food, health beauty and care and the non-food section supermarket products), 4.8% of the amount of purchase costs of the Japan ATV Products supplied by manufacturers or suppliers to the PRC Subsidiaries.

Detailed terms of the above agreements are set out in the letter from the Board of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Management the Master Purchase Agreement and are advised that save for an one-off transaction conducted in December 2024 in an amount of HK\$94,500 which is considered as a de-minimis transaction, purchases have been made by the Group in accordance therewith since the beginning of FY2025. We have been provided with, and reviewed, the Group's purchase invoices of ATV Products in the first quarter of FY2025 and the calculation of mark-up fee and noted that (i) the calculation of the ATV Product costs has built in a 3% mark-up fee and (ii) the invoice amounts for the Group to settle with ATV Japan align the calculation in (i). Given the reviewed two purchase invoices and the relevant calculation for purchases in January and February of 2025 are randomly selected and, in our view, fair and representative samples, we consider the transactions were carried out in accordance with the terms of the Master Purchase Agreement as evidenced by the sample purchase invoices and supporting document.

We have reviewed and compared the Master Licence Agreement and the Master Service Agreement with the Previous Trademark Licence Agreement and noted that the service scope under the Master Licence Agreement and the Master Service Agreement (“**Japan Services**”), if taking them together, are the same as those set out in the Previous Trademark Licence Agreement while the fees, the effective periods and annual cap periods are different. The aggregate fee under the Master Licence Agreement and the Master Service Agreement is reduced to 3.2% from 7% under the Previous Trademark Licence Agreement.

We have also reviewed the ATV China Master Service Agreement and noted that (i) the fees for the China Services ranging 3% – 6.8% is equivalent to or are higher than that for the Japan Services; and (ii) Japan Services and China Services are both relating to market research, planning and development of products, establishment of product specifications, quality control, production and transaction management and promotion but the scope of China Services is wider than that of Japan Services. Details of the scope of Japan Services and China Services are set out in the letter from the Board.

We have discussed with the Management and are advised that (i) the Japan Service is mainly provided to the Company (i.e. Hong Kong operation) and the China Service is mainly provided to the PRC Subsidiaries (i.e. PRC operation); (ii) the service fee chargeable to the Hong Kong operation is the same for both Japan Service and China Service; and (iii) the service fees chargeable to the PRC Subsidiary are generally higher than that to the Company. As advised by the Management, the higher fee for PRC Subsidiaries is mainly due to the fact that ATV China is required to range delivery of ATV Products to the delivery centre in the PRC, which is the last stop before delivering to each of the stores of the PRC Subsidiaries as opposed to ATV Japan which is only required to arrange delivery of ATV Products from Japan factories to the relevant port in Japan. Moreover, before delivering the ATV Products to each of the PRC stores, ATV China is required to service the cross-docking process (i.e. segregate the ATV Products in quantities as per the orders of each PRC store).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, we have endeavoured to identify comparable transactions involving the licensing arrangement in the past three years (i.e. from 1 January, 2022 to the date of the Announcement, the “**Review Period**”), where (i) the licensee obtains the right to use the trademarks in a variety of merchandise and either itself or its counterparty listed on the Main Board of the Stock Exchange and within department stores category based on AASTOCKS.com (the Company is also under this category); and (ii) such transactions are publicly announced by way of announcement during the Review Period with pricing terms and remain effective. However, no comparable transaction is identified.

We then extended our scope of search to the companies under (i) hypermarkets, supermarkets and convenience stores; (ii) apparels and accessories; (iii) apparel, accessories and luxury goods retail; (iv) packaged foods; and (v) restaurants categories on AASTOCKS.com and looked up the transactions based on the above criteria (the “**Comparable Licence Transactions**”). A summary of the Comparable Licence Transactions (which, so far as we are aware of, are exhaustive, and are thus considered to be fair and representative samples) are set out in the table below:

Date	Company (stock code)	Transaction description	Pricing terms for the use of trademark(s)
5 February 2024	YGM Trading Limited (375)	The grant of a non-exclusive and non-transferable right, license and authority to use the trademarks (a) to design and have designed the licensed products in any part of the world; and (b) to manufacture and have manufactured the licensed products in the PRC.	(a) 5% on the first USD10,000,000 (equivalent to HKD78,000,000) of the net total invoiced revenue; and (b) 4% of the net total invoiced revenue beyond and exceeding the amount of USD10,000,000 (equivalent to HKD78,000,000), of each agreement year.
22 December 2023	Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (520)	The grant of a non-transferable right to use trademarks by a connected person of the company to the group to produce and sell tea beverages and tea snacks at the group’s restaurants.	5% of the revenue from the sale of tea beverages and tea snacks at the group’s restaurants.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date	Company (stock code)	Transaction description	Pricing terms for the use of trademark(s)
13 December 2022	Nissin Foods Company Limited (1475)	The grant of non-exclusive licences by a connected person of the company to the group to use the trademarks and technology in its businesses in Hong Kong, Macau, Taiwan and the PRC, and export or distribute the products bearing and/or using the trademarks and technology.	0.5 or 2.5% of the net sales of the products using the trademarks and technology (depending on the trademark and place of manufacture, if applicable).
14 October 2022	First Pacific Company Limited (142)	The grant of an exclusive license trademark relating to sugar to a connected person of the company in Indonesia.	1% per annum of the total sales value of sugar.

Note: The licence arrangements conducted by Dickson Concepts (International) Limited (stock code: 113) (“**Dickson Concepts**”) in 2022 to 2025 have been excluded where the license fees are based on a certain percentage of royalties collecting from third parties, the pricing of which is considered to be different from that under the Master Trademark Licence Agreement.

As stated above, a total of four Comparable Licence Transactions are identified with license fee charged ranging between about 0.5% and 5% of the sales amount of the products which bear the trademarks.

The pricing basis under (i) the Master Licence Agreement and the Master Service Agreement; and (ii) the Master Licence Agreement and the ATV China Master Service Agreement are based on purchase cost while those under the Comparable Licence Transactions are based on sales amount of the products. In order to facilitate a like-for-like comparison, the management of the Group has provided us with the summary of the revenue and costs of each type of ATV products, namely fashion, supermarket products, home fashion and beauty and wellness in FY2022 – FY2024 and it is noted that an aggregate license fee and service fee of 3.2% – 7.0% chargeable on the cost of ATV Products during the period represented 1.35% – 4.82% of their respective revenue, which fall within the range of the Comparable Licence Transactions as mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the aggregate licence and service fee chargeable at 3.2% – 7.0% of the purchase cost of the ATV Products (i) procured by ATV Japan under the Master Licence Agreement and Master Service Agreement and (ii) procured by ATV China under the Master Licence Agreement and ATV China Master Service Agreement fall within the range of those charged in the Comparable Licence Transactions, we are of the view that the pricing terms of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. The Annual Caps

(I) Revision of Annual Caps – Consultancy Services Agreements

We have reviewed and discussed with the Management their projection for the consultancy service fees payable to AEON China for determining the annual caps for the transactions contemplated under the Consultancy Services Agreements (i.e. the Revised Annual Caps) for the three years ending 31 December 2025, 2026 and 2027. A summary of the Group’s projection prepared by the Management is set out below:

<i>(RMB million)</i>	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
	Actual amount			Estimated amount		
Service fee paid/payable to the AEON China by						
– GDA	7.6	4.8	5.9	9.3	10.5	11.9
– ASC	1.9	1.8	1.2	1.3	0.8	1.0
– The Company	<u>3.9</u>	<u>3.4</u>	<u>3.6</u>	<u>2.9</u>	<u>3.0</u>	<u>3.2</u>
Sub-total	13.4	10.0	10.7	13.5	14.3	16.1
Buffer of 10%	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>1.3</u>	<u>1.4</u>	<u>1.6</u>
Existing/proposed annual caps	14.8	14.8	14.8	14.8	15.7	17.7
Utilisation rate	90.5%	67.6%	72.3%	NA	NA	NA

Note: The figures are subject to rounding and may not add up to sub-totals or totals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Management the Group's fluctuations of the historical transaction amounts for FY2022-FY2024 as shown above and are advised that the Group's demand for services varies from time to time depending on the number of stores opened during the year and whether any enhancement project is proposed or underway. The Management further advised that the Group's projection for FY2025-FY2027 that we have reviewed has been prepared based on the Group's demand for various services as agreed with AEON China for FY2025 and an annual growth rate of 5% for each of FY2026 and FY2027. While the Group requires consultancy services for the implementation of enhancement projects with respect to retail solutions, supplier platform, AI security system and expansion of the stores in the PRC in FY2025, consultancy services are also needed to shape up the Group's existing operation in order to enhance efficiency and cost effectiveness.

Based on the projection, it is noted that (i) the number of Recipients varies from one to eight across different types of services; (ii) the hours of services to be rendered by the staff of AEON China are estimated; and (iii) the cost of AEON China for each service is estimated. The services to be rendered by AEON China include, inter alia, business development plan, sales performance and retail consumption behaviour review, negotiations with established Japanese brand suppliers, promotional activities, product development, product matching, distribution channels and customer service strategies. The cost of services rendered by AEON China to each of GDA, ASC and the Company plus a mark-up of 3% are estimated but such projected fees payable by GDA and ASC exceed 0.20% of their respective estimated revenue for FY2025. In other words, (i) the projected fees payable by GDA and ASC are estimated based on 0.20% of their respective estimated revenue for FY2025, in accordance with the pricing terms in the Consultancy Services Agreements; and (ii) the projected fee payable by the Company is estimated based on 3% over the estimated cost of AEON China with respect to the services as needed by it for FY2025. As stated in the letter from the Board, the service fee incurred for in January to May 2025 amounted to RMB4.87 million, representing 32.9% of the Revised Annual Cap for FY2025.

According to the National Bureau of Statistics of China (<https://data.stats.gov.cn/easyquery.htm?cn=C01>), the average salary of wholesale and retail sector grew at between 7.4% and 13.2% per annum in 2018 – 2023. Given the cost of service to be rendered by AEON China is based on its staff hourly rate, it is reasonable to apply an annual increment of 5%, which is below the relevant statistics as aforementioned, to estimate the cost of service for each of FY2026 and FY2027. The buffer used in the Consultancy Service Annual Caps is 10% each year during the term of the Consultancy Services Agreements, for which the Directors consider, and we concur it to be reasonable and will allow flexibility to the Group to ensure its smooth operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) *ATV Master Agreements*

We have reviewed and discussed with the Management their estimated purchases, license fees and service fees payable to ATV Japan for determining the annual caps for the transactions contemplated under the master agreements relating to ATV Products for FY2025 – FY2027. As advised by the Management, the Group (i) plans to open at least 12 new stores in Hong Kong and the PRC to take advantage of lower rentals (as the case maybe) and/or further tap into the consumer market; and (ii) targets to increase the purchase of ATV Products to 30% of its total purchases by 2030 as opposed to 7.5% in FY2024 as the gross profit margins of the ATV Products are higher than third party brands. In the projection, it is expected that the portion will gradually increase to above 17% of the Group’s total purchases by 2027. A summary of the Group’s projection prepared by the Management is set out below:

(a) *ATV Purchase Proposed Annual Caps*

<i>(HK\$ million)</i>	FY2025			Total	FY2026	FY2027
	Jan-Feb (actual amount)	Mar-May (actual amount)	Jun – Dec (Estimated amount)		(Estimated amount)	(Estimated amount)
Fashion	–	0.7	1.2	1.9	2.1	2.6
Food	0.7	1.9	2.0	4.6	5.1	5.6
Home fashion	–	0.8	1.0	1.8	2.5	2.7
Health & beauty care	0.4	1.0	1.1	<u>2.5</u>	<u>3.0</u>	<u>3.1</u>
Sub-total				10.8	12.7	13.9
10% buffer				<u>0.5⁽¹⁾</u>	<u>1.3</u>	<u>1.4</u>
ATV Purchase Annual Caps				11.3	14.0	15.3

Notes:

- (1) The 10% buffer has only applied to the estimated purchases for June – December 2025.
- (2) The figures are subject to rounding and may not be added to the sub-totals or totals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Prior to the entering into of the Master ATV Purchase Agreement, save for an one-off transaction conducted in December 2024 in an amount of HK\$94,500 which is considered as a de-minimis transaction, no historical transaction in relation to the transactions contemplated under the Master ATV Purchase Agreement between the Company and ATV Japan.

We have discussed the above projection with the Management and are advised that (i) the projected purchases for June – December 2025 are based on the Group’s demand; and (ii) the projected annual growth rates for FY2026 – FY2027 are based on the introduction of new ATV Products (e.g. seasonal fruits and ice-cream, tissues and kitchen paper). It is noted that the projected purchase per month in June – December 2025 is lower than the actual purchase per month in March – May 2025. As advised by the Management, the Group needs to review the arrangements from time to time after formally placing orders with ATV Japan for the purchases in January 2025 and expects to ramp up the purchases in FY2026 and onwards. The purchases are expected to increase by 17% – 47% across different product types for FY2026 and 4% – 12% for FY2027. The highest increase in purchases for FY2026 is household fashion but it is also the lowest increase for FY2027. As advised by the Management, it has been the Group’s practice to purchase more household products in one time for bargain purchase and logistics cost saving and thus less purchases in the following year. Based on the discussion with the Management, we consider the projected purchase amount in FY2025 and annual growth rates for FY2026 – FY2027 to be reasonable.

(b) Combined Annual Caps

We have reviewed the projection for the Combined Annual Caps prepared by the Management and noted that (i) the purchases in FY2025 – FY2027 are estimated by product types which are then classified into the service fees to which the products are subject; and (ii) the projected fees payable are calculated based on (i).

Projected purchases in FY2025 – FY2027

We have discussed with the Management the purchases projection and are advised that (i) the purchases are projected by product categories, namely (a) fashion; (b) food; (c) household fashion; and (d) health and beauty care.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For fashion products, the Group already purchased 80% of the total purchase in FY2024 in the first 5 months in FY2025 and therefore expects an overall increase of 44% year-on-year in FY2025, 28% in FY2026 and 33% in FY2027. Based on the strong growth in purchases in the first 5 months of FY2025, we consider the projected annual growth rates for FY2025 – FY2027 to be reasonable.

Japanese food has been popular in Hong Kong due to its premium quality of ingredients and attention to details. The Group plans not only to increase its purchases to meet the customers' needs in particular the fast-moving products (e.g. natto and frozen chilled food) but also introduce new products (e.g. seasonal fruits and ice-cream) in the second half of FY2025. Therefore, the Group expects that food purchases will increase significantly by 108% in FY2025, 27% in FY2026 and 29% in FY2027. Having considered the popularity of Japanese food in Hong Kong and the gross margin of this category of about or above 40% in FY2022 – FY2024, we consider the projected annual growth rates for FY2025 – FY2027 to be reasonable.

For household fashion products, the Group's purchases in the first 5 months of FY2025 already exceeded those for the full year of FY2024 and therefore expects an overall increase of 97% year-on-year in FY2025 but a 22% year-on-year decrease in FY2026 due to bulk-purchase and slow-moving nature of this product category (also see discussion of ATV Purchase Proposed Annual Caps above) and a year-on-year increase of 50% in FY2027 due to expected stock replenishment. As advised by the Management, household fashion including home furniture are generally bulk in size and the Group usually purchases more in one time for bargain purchase and logistics cost saving. On these bases, we consider the projected annual growth rates for FY2025 – FY2027 to be reasonable.

For health and beauty products, the Group already purchased 80% of the total purchase in FY2024 in the first 5 months in FY2025. As advised by the Management, the Group plans to introduce new health and beauty products (e.g. tissues and kitchen paper) in the second half of FY2025 and therefore expects an overall increase of 154% year-on-year in FY2025, 51% in FY2026 and 24% in FY2027. Having considered the popularity of Japanese health and beauty products in Hong Kong and its increasing gross margin from 31% in FY2022 to 42% in FY2024, we consider the projected annual growth rates for FY2025 – FY2027 to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Projected fees payable

Set out below are the projected purchases having categorised into different service fees to which they are subject and the projected fees payable for FY2025 – FY2027:

<i>(HK\$ million)</i>	FY2025			Total	FY2026	FY2027
	Jan-Feb	Mar-May	Jun - Dec			
	Purchase amounts					
License fee and service fee⁽¹⁾	(Actual amount)	(Actual amount)	(Estimated amount)		(Estimated amount)	(Estimated amount)
	(A)			(B)	(C)	(D)
0.2% + 3.0% ⁽¹⁾	–	50.3	108.8	159.1	217.1	284.2
0.2% + 4.0% ⁽¹⁾	–	–	1.6	1.6	2.5	5.0
0.2% + 4.8% ⁽¹⁾	–	–	–	–	–	–
0.2% + 6.8% ⁽¹⁾	52.9	–	58.0	<u>110.9</u>	<u>103.2</u>	<u>136.6</u>
Total purchase amount				271.6	322.8	425.8
				(A)x(B)	(A)x(C)	(A)x(D)
Projected aggregate license and service fee ⁽²⁾				12.9	14.3	18.9
Buffer (10%)				<u>1.3</u>	<u>1.4</u>	<u>1.9</u>
Combined annual caps				14.2	15.7	20.8

Notes:

- (1) The projected ATV products purchases are classified into the different aggregate license and service fees to which they are subject pursuant to the ATV Master Agreements (except for the Master ATV Purchase Agreement) and the previous agreements.
- (2) Projected aggregate license and service fee is based on the projected purchases and applicable fee rates as denoted as (A) in the above table.
- (3) The figures are subject to rounding and may not be added up to the sub-totals or totals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Management the projection and are advised that (i) the purchases in January – February 2025 were subject to the Supplemental Master Trademark Licence Agreement pursuant to which the fee payable by the Group was equivalent to 7% of the purchase costs; (ii) following the entering into of the Master Licence Agreement and the Master Service Agreement (see section 4(II) above), the Group is required to pay a license fee of 0.2% on the purchase cost of the products carrying TopValu Trademarks and the service fee of 3% on such purchase cost; and (iii) following the entering into of the ATV China Service Agreement (see section 4(II) above), the service fee for the China Services has been adjusted to 3% – 6.8% of such purchase cost.

As shown in the above table, the purchases are mainly subject to either 3% or 6.8% service fee. We have discussed with the Management and are advised that the Company (i.e. Hong Kong operation) is only subject to 3% service fee pursuant to the ATV Master Agreements while the PRC Subsidiaries (i.e. PRC operation) focusing on procuring ATV China Products are subject to mainly 6.8% service fee.

The fees payable, which are calculated based on the estimated purchases and the applicable fee rates, are estimated to be HK\$12.9 million in FY2025, HK\$14.3 million in FY2026 and HK\$18.9 million in FY2027. The buffer used in the Combined Annual Caps is 10% for each of FY2025 – FY2027, for which the Directors consider, and we concur it to be reasonable and will allow flexibility to the Group to ensure its smooth operations.

6. Internal control

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the independent non-executive Directors will, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions under (i) the Consultancy Services Agreements; and (ii) the ATV Master Agreements are conducted on normal commercial terms and the auditors of the Company will, for the purpose of Rule 14A.56 of the Listing Rules, review, among other things, whether the transactions under each of (i) the Consultancy Services Agreements; and (ii) the ATV Master Agreements are conducted in accordance with the terms therein.

On the above basis, we concur with the view of the Management that adequate measures have been put in place to monitor the transactions under (i) the Consultancy Services Agreements; and (ii) the ATV Master Agreements in order to protect the interests of the Company and the Independent Shareholders.

OPINION AND RECOMMENDATION

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

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

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

1 RESPONSIBILITY STATEMENT

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

2 INTEREST IN SECURITIES

(A) Directors' and chief executive's interests

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

(a) *The Company*

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

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

Name of Directors	Number of ordinary shares held as personal interests	Approximate percentage of interests
TOSHIYA Goto	6,300	0.00072%
HISANAGA Shinya	2,130	0.00024%

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

(B) Substantial Shareholders' interests

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

Name of substantial shareholder	Long positions Number of ordinary shares held	Approximate percentage of the total number of issued shares
AEON Co	157,536,000 (<i>Note</i>)	60.59%

Note: These Shares are held as to 155,760,000 Shares by AEON Co and 1,776,000 Shares by AEON Credit. AEON Credit is directly or indirectly owned or controlled by AEON Co as to 294,888,000 shares representing 70.42% of the issued share capital of AEON Credit. AEON Co is deemed to be interested in the 1,776,000 Shares owned by AEON Credit.

3 DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

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

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

4 DIRECTORS' SERVICE CONTRACTS

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

5 DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date and which was significant in relation to the business of the Group; and none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up.

6 DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7 MATERIAL ADVERSE CHANGE

Reference is made to the Company's annual report for the year ended 31 December 2024 published on 25 April 2025. Save for the factors and challenges including outbound travel, cautious consumer sentiment, changes in consumption patterns of tourist and resident in Hong Kong, slow recovery in local and Mainland China economy and downsize risks of retail industry as referred to in the publications above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8 MATERIAL CONTRACTS

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

9 LITIGATION

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

10 EXPERT AND CONSENT

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

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

As at the Latest Practicable Date, the above expert:

- (a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name, in the form and context in which they appear;
- (b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

11 GENERAL

- (1) The registered office of the Company is at G-4 Floor, Kornhill Plaza (South), 2 Kornhill Road, Hong Kong.
- (2) The head office and principal place of business of the Company is at Units 07-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.
- (3) The share registrar of the Company is Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (4) The secretary of the Company is Mr. Chan Kwong Leung, Eric, who is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

12 DOCUMENTS ON DISPLAY

A copy of each of the Consultancy Services Agreements, the Master Licence Agreement, the Master Service Agreement, the ATV China Master Service Agreement and the Master ATV Purchase Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aeonstores.com.hk) for a period of 14 days from the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



AEON STORES (HONG KONG) CO., LIMITED

永旺(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders of AEON Stores (Hong Kong) Co., Limited (the “**Company**”) will be held at Function Room, Units 7-11, 26/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong on Tuesday, 29 July 2025 at 9:00 a.m. (the “**EGM**”), to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the circular to shareholders of the Company dated 14 July 2025.

ORDINARY RESOLUTIONS

Ordinary Resolution no. 1

1. “**THAT**”:
 - (a) the Revised Annual Caps (as defined and described in the Circular) be and are hereby approved, confirmed and ratified; and
 - (b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the Consultancy Services Agreements and the transactions contemplated thereunder and the Revised Annual Caps for the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the Revised Annual Caps of the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

Ordinary Resolution no. 2

2. “THAT”:

- (a) The Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement, copies of which have been produced to the meeting marked “A”, “B” and “C” respectively and signed by the Chairman of the meeting for the purpose of identification, and the transaction contemplated thereunder, together with the Combined Annual Caps (as defined and described in the Circular) for the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement, and the transactions contemplated thereunder, together with the Combined Annual Caps for the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the Master Licence Agreement, the Master Service Agreement and the ATV China Master Service Agreement and/or the transactions contemplated thereunder and/or the Combined Annual Caps for the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable.”

Ordinary Resolution no. 3

3. “THAT”:

- (c) The Master ATV Purchase Agreement, a copy of which has been produced to the meeting marked “D” and signed by the Chairman of the meeting for the purpose of identification, and the transaction contemplated thereunder, together with the ATV Purchase Proposed Annual Caps (as defined and described in the Circular) for the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the Master ATV Purchase Agreement, and the transactions contemplated thereunder, together with the ATV Purchase Proposed Annual Caps for the transactions contemplated thereunder be and are hereby ratified, confirmed and approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the Master ATV Purchase Agreement and/or the transactions contemplated thereunder and/or the ATV Purchase Proposed Annual Caps for the transactions contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable.”

By Order of the Board of
AEON Stores (Hong Kong) Co., Limited
CHAN Kwong Leung, Eric
Company Secretary

Hong Kong, 14 July 2025

Registered office:

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

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or (if he is a holder of two or more shares) more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power of attorney or authority, must be deposited at the office of the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. The Register of Members of the Company will be closed from Thursday, 24 July 2025 to Tuesday, 29 July 2025, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. The record date for determining the eligibility of the shareholders to attend and vote at the EGM will be 29 July 2025. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Wednesday, 23 July 2025.
4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but should there be more than one of such joint holders present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. Voting of the ordinary resolutions set out in this notice will be by way of poll.
6. Reference to times and dates in this notice are to Hong Kong times and dates.
7. If Typhoon Signal No. 8 or above is hoisted or remains hoisted at 7:30 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the Company's website at www.aeonstores.com.hk and the Stock Exchange's website at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled EGM.
8. The EGM will be held on Tuesday, 29 July 2025 as scheduled when an Amber or a Red Rainstorm Warning Signal or a Black Rainstorm Warning Signal is in force in Hong Kong at any time on that day. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.