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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)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE CONSULTATION SERVICES AGREEMENTS**

Reference is made to the announcement of the Company dated 16 January 2019 in relation to the Previous Consultancy Services Agreements. The Previous Consultancy Services Agreements will expire on 31 December 2021.

The Board is pleased to announce that on 4 October 2021, each of the Company, AEON GD and ASC entered into the Consultancy Services Agreements with AEON China. The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2022.

Each of the Company, AEON GD and ASC also entered into the Training Services Contracts with AEON China, which contracts, whether alone or aggregated with each other, constituted *de minimis* transactions pursuant to Rule 14A.76(1) of the Listing Rules. As the transactions contemplated under the Consultancy Services Agreements are of similar nature with those under the Training Services Contracts and entered into with AEON China and both the Consultancy Services Agreements and the Training Services Contracts will be carried out on a continuing basis over a period of time, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

As at the date of this announcement, AEON China is a subsidiary of AEON Co, the controlling shareholder of the Company and therefore a connected person of the Company. Each of AEON GD and ASC is a subsidiary of the Company. Accordingly, the transactions contemplated under the Consultancy Services Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Aggregated Annual Caps for the Consultation Services Agreements and the Training Services Contracts will (on an aggregated basis) be 0.1% or more but less than 5%, the transactions under the Consultancy Services Agreements are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing Rules and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 January 2019 in relation to the Previous Consultancy Services Agreements. The Previous Consultancy Services Agreements will expire on 31 December 2021.

The Board is pleased to announce that on 4 October 2021, each of the Company, AEON GD and ASC (each a “Recipient Company”) entered into a Consultancy Services Agreement 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 the improvement of activities relevant to the general merchandise stores and supermarket stores business of the Group in Hong Kong and the PRC.

Each of the Company, AEON GD and ASC also entered into the Training Services Contracts with AEON China, which contracts, whether alone or aggregated with each other, constituted *de minimis* transactions pursuant to Rule 14A.76(1) of the Listing Rules.

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

2. THE CONSULTANCY SERVICES AGREEMENTS

The terms of each Consultancy Services Agreement are substantially the same, details of which are set out below:

Date

4 October 2021

Parties

- (a) AEON China; and
- (b) each of the Recipient Companies.

Nature of transactions

Subsequent to the expiry of the Previous 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 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.

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 5% 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 ratio of the actual total sales amounts of the respective Recipient Company against the actual total sale amounts of all AEON group companies, including the Company, AEON GD, ASC and other subsidiaries of AEON Co. in that quarter.

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.

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 VAT 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.

Consultancy Services

Pursuant to the Consultancy Services Agreements, the scope of consultancy services to be provided by AEON China to each Recipient Company relates to the following:

- (a) merchandise support: own-brand merchandise development, nationwide centralized procurement of merchandise, nationwide centralized promotional activities, improvement of merchandise flow and logistics efficiency, merchandise collocation proposal for new stores;
- (b) digitalization and operation support: improve the performance and efficiency of online sales through coordinating the technical service providers, improve the efficiency of store operations through standardization and digitalization, and coordinating common promotional activities with other group companies;
- (c) store development support: formulation of regional store development strategy, evaluation of specific objects and improvement suggestions, negotiation assistance, creation of model standards for new style stores;

- (d) store construction support: nationwide centralized procurement of equipment and materials, planning of new stores or store remodeling, standardization of fortifications and projects, and operation management; and
- (e) management support: provide consulting and support in the implementation of legal affairs, personnel, general affairs, accounting and taxation systems, as well as consulting and support in the construction of corporate internal audit systems and the implementation of internal supervision.

Term

The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2022 and expiring on 31 December 2024, 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.

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.

3. ANNUAL CAPS

The historical transaction amounts in respect of the Previous Consultancy Services Agreements for the two years ended 31 December 2020 and the six months ended 30 June 2021 were as follows:

Period	Annual cap HK\$ million	Fees paid or payable by the Recipient Companies to AEON China under the Previous Consultancy Services Agreements HK\$ million
Year ended 31 December 2019	30	10.4
Year ended 31 December 2020	33	13.4
Six months ended 30 June 2021	37	5.8

The Cap Amount

As the transactions contemplated under the Consultancy Services Agreements are of similar nature with those under the Training Services Contracts and are entered into with AEON China and both the Consultancy Services Agreements and the Training Services Contracts will be carried out on a continuing basis over a period of time, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

The Directors estimate that the maximum aggregate amounts payable by the Recipient Companies to AEON China under the Consultancy Services Agreements and the Training Services Contracts will not exceed the Aggregated Annual Caps below:

Annual Caps under the: (RMB millions)	1/1/2022 - 31/12/2022	1/1/2023 - 31/12/2023	1/1/2024 - 31/12/2024
Consultancy Services Agreements	14.8	14.8	14.8
Training Services Contracts	1.1	1.1	1.1
Total	15.9	15.9	15.9

In arriving at the Aggregated Annual Caps, the Directors have taken into account various factors including the annual maximum fee referred to above, the expected business growth of the Group, the charging basis and sharing ratio for calculating the Service Fee and the historical figures of the fees payable by the Recipient Companies to AEON China under the Previous Consultancy Services Agreements for the two years ended 31 December 2020 and the six months ended 30 June 2021.

4. REASONS FOR AND BENEFITS OF THE 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 Co 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 Company therefore believes that the renewal entering into of the Consultancy Services Agreements will allow the Group to leverage the expertise of AEON China, thereby enhancing its operations, procurement activities and market development.

The terms of the Consultancy Services Agreements have been reached after arm's length negotiations between the Company and the AEON China. The Directors (including all the independent non-executive Directors) are of the view that (i) entering into of the Consultancy Services Agreements is in the ordinary and usual course of business of the Group; (ii) the terms of the Consultancy Services Agreements are on normal commercial terms; and (iii) the terms of the Consultancy Services Agreements and the Aggregated Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

At a Board meeting convened to consider the Consultancy Services Agreements, Mr. Isei Nakagawa, Mr. Isao Sugawara, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Ms. Yuki Habu, and Mr. Makoto Fukuda were regarded as potentially having a material interest in the Consultancy Services Agreements and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, AEON China is a subsidiary of AEON Co, the controlling shareholder of the Company, and therefore a connected person of the Company. Each of AEON GD and ASC is a subsidiary of the Company. Accordingly, the transactions contemplated under the Consultancy Services Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the transactions contemplated under the Consultancy Services Agreements are of similar nature with those under the Training Services Contracts and are entered into with AEON China and both the Consultancy Services Agreements and the Training Services Contracts will be carried out on a continuing basis over a period of time, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Aggregated Annual Caps for the Consultation Services Agreements and the Training Services Contracts will (on aggregated basis) be 0.1% or more but less than 5%, the transactions under the Consultancy Services Agreements are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing Rules and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. INFORMATION ABOUT 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.

7. DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“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 Stores Co., Ltd.），a company incorporated in the PRC and owned as to 65% by the Company
“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
“Aggregated Annual Caps”	the maximum aggregate annual amounts payable by the Recipient Companies to AEON China pursuant to the Consultancy Services Agreements and the Training Services Contracts for each of the three years ending 31 December 2024
“Board”	the board of Directors
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consultancy Services Agreement(s)”	the consultancy services agreement(s) dated 4 October 2021 entered into between AEON China and each of the Company, AEON GD and ASC respectively, each supplemented by an agreement dated 4 October 2021 between the same respective parties
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Independent Third Party”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Company and its connected persons of the Company in

	accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, 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 16 January 2019, each supplemented by an agreement dated 16 January 2019 between the same respective parties
“Recipient Company”	each of the Company, AEON GD and ASC
“RMB”	renminbi, the lawful currency of the PRC
“Service Fee”	the service fee payable by each Recipient Company to AEON China pursuant to the respective Consultancy Service Agreement
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Training Services Contracts”	The training services contracts dated 4 October 2021 entered into between AEON China and each of the Company, AEON GD and ASC respectively: -for a term of 3 years from 1 January 2022 to 31 December 2024; -in relation to staff training services relating to business operation, technical skills and compliance, etc which services previously formed part of the services provided by AEON China under the Previous Consultancy Services Agreements; -service fees are charged on actual number of participants and actual costs/expenses basis.
“VAT”	Value Added Tax

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

Hong Kong, 4 October 2021

As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara, Mr. Chak Kam Yuen, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Ms. Yuki Habu and Mr. Makoto Fukuda; and the Independent Nonexecutive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty, Mr. Chow Chi Tong and Mr. Hideto Mizuno.