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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 PRODUCT DEVELOPMENT AGREEMENT**

Reference is made to the Company's announcement dated 29 May 2020 in relation to the Previous Product Development Agreement which will expire on 31 December 2022. The Board is pleased to announce that on 13 December 2022, ASC (a wholly-owned subsidiary of the Company) and ATV China entered into the Product Development Agreement which shall be effective from 1 January 2023 to 31 December 2023.

As at the date of this announcement, ATV 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 Product Development Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Cap exceed 0.1% but are below 5%, the Product Development Agreement and the transactions contemplated thereunder are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing rules but are exempt from the Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the Company's announcement dated 29 May 2020 in relation to the Previous Product Development Agreement which will expire on 31 December 2022. The Board is pleased to announce that on 13 December 2022, ASC (a wholly-owned subsidiary of the Company) and ATV China entered into the Product Development Agreement which shall be effective from 1 January 2023 to 31 December 2023.

2. THE PRODUCT DEVELOPMENT AGREEMENT

Background of the transactions

ATV China is a licensee of the “TopValu” trademark and is responsible for engaging manufacturers to produce products bearing the “TopValu” trademark as well as quality control, sales, promotion and management of such products. ATV China is also engaged in the supply and sales of such products to Other Entities (including certain members of AEON Group).

Since January 2019, ASC has been purchasing products bearing the “TopValu” trademark directly from manufacturers approved by ATV China. At the same time, ASC has also set up its own team to design and develop the Relevant ATV Products catering for the Group’s needs and sales market. Subject to ATV China’s approval of the Relevant ATV Products, ASC would directly purchase the Relevant ATV Products as manufactured by manufacturers approved by ATV China for sale in its stores in the PRC or for onward sales to GDA (a 65%-owned subsidiary of the Company).

ATV China is entitled to purchase from its approved manufacturers the Relevant ATV Products for its onward sales to Other Entities (including certain members of the AEON Group). In recognition of ASC’s efforts in designing and developing the Relevant ATV Products, ATV China has agreed to compensate ASC by paying ASC certain product development fees. Subsequently, ASC and ATV China entered into the Previous Product Development Agreement to set out the terms of the product development fees payable by ATV China in respect of the Relevant ATV Products. The Previous Product Development Agreement is due to expire on 31 December 2022. Thus ASC and ATV China entered into the Product Development Agreement on substantially the same terms and conditions.

The principal terms of the Product Development Agreement are as follow:

Product Design and Development

ASC shall be engaged by ATV China to conduct the following:

- (a) market research on, and design and development of, the Relevant ATV Products;
- (b) preparation of manual for manufacturers on product design, product formula, product standard and relevant computer software in respect of the Relevant ATV Products;
- (c) determination on product samples for the Relevant ATV Products; and
- (d) other business relating to development of the Relevant ATV Products as shall be agreed by ASC and ATV China.

ATV China shall have the right to engage manufacturers to produce and purchase the Relevant ATV Products from the manufacturers according to its needs.

Fees

As consideration for ASC’s design and development of the Relevant ATV Products, ATV China shall pay to ASC a monthly fee in an amount equal to 5.8% of the total purchase price (excluding

tax) paid by ATV China for the purchase of the Relevant ATV Products in the preceding month, payable each month throughout the period.

Period

The Period from 1 January 2023 to 31 December 2023.

Pricing

The monthly fee as set out above represent 5.8% of the total purchase price (excluding tax) paid by ATV China for the purchase of Relevant ATV Products during each month from 1 January 2023 to 31 December 2023. It is the same rate payable by GDA (a 65% owned subsidiary of the Company) to ASC as consideration for ASC's design and development of the Relevant ATV Products and was determined taking into account the proportion of respective benefits enjoyed by ATV China and GDA and corresponding consideration that shall be paid by ATV China and GDA, respectively, for the efforts of ASC in the design and development of the Relevant ATV Products.

3. ANNUAL CAP

The historical amounts of the transactions in respect of the Previous Product Development Agreement for the period from 29 May 2020 to 31 December 2020, the year ended 31 December 2021 and for the nine months ended 30 September 2022 were approximately RMB4.5 million, RMB2.3 million and RMB1.6 million respectively. The annual cap for the period from 29 May 2020 to 31 December 2020 and each of the two years ended 31 December 2022 were approximately RMB6.4 million, RMB6.0 million and RMB7.5 million respectively.

The Directors estimate that the maximum aggregated fees to be received by ASC from ATV China on an annual basis in respect of the transactions under the Product Development Agreement for the period from 1 January 2023 to 31 December 2023 will not exceed the annual cap of RMB5.0 million.

In arriving at the Cap, the Directors have taken into account various factors including the historical amounts of purchases of the Relevant ATV Products made by ATV China in 2021 and 2022, the projected increase of the purchase of the Relevant ATV Products to be made by ATV China in 2023, the increase of the monthly fee rate from 4% to 5.8% and a buffer to allow flexibility.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the "TopValu" trademarks, which are well known in Hong Kong and the PRC, are essential to the operations and success of the Group. Leveraging on the Group's experience in procurement, as well as sales and marketing of "TopValu" brand food products and non-food supermarket products in its stores in Hong Kong and the PRC over the past years, since January 2019, ASC has set up its own team for the design and development of food products and non-food supermarket products bearing the "TopValu" trademark based on the product

development ideologies of the “TopValu” brand. This enriches ASC’s merchandises variety and differentiates ASC from its competitors.

Although the Relevant ATV Products are developed by ASC for its own business needs and purposes, the same are also available for purchase by ATV China. The Directors consider that, by entering into the Product Development Agreement, the Group would be able to generate income from the same development efforts of ASC and hence the entering into of the Product Development Agreement would bring additional benefits to the Group.

The Directors, including all the independent non-executive Directors, are of the view that (i) the Product Development Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Product Development Agreement and the transactions contemplated thereunder, together with the Cap, are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Product Development Agreement 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 Product Development Agreement, Mr. Isei Nakagawa, Mr. Isao Sugawara, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Makoto Fukuda and Mr. Hiroyuki Inohara were regarded as potentially having a material interest in the Product Development Agreement and accordingly abstained from voting on the relevant resolutions.

5. INFORMATION OF THE PARTIES

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

ATV China is a licensee of the “TopValu” trademark owned by AEON Group and is engaged in the business of selection of manufacturers for producing products bearing the “TopValu” trademark, and quality control, sales, promotion and management of such products.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, ATV 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 Product Development Agreement 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 for the Cap exceed 0.1% but are below 5%, the Product Development Agreement and the transactions contemplated thereunder are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing Rules but are exempt from the shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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 Group”	AEON Co and its subsidiaries (excluding members of the Group)
“ASC”	AEON South China Co., Ltd., a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“ATV China”	AEON TopValu (China) Co., Ltd. (永旺特慧優國際貿易（上海）有限公司), a company incorporated in the PRC and a subsidiary of AEON Co
“Board”	board of Directors
“Cap”	The maximum aggregated amount to be received by ASC from ATV China pursuant to the Product Development Agreement for the year 2023 set out under Section 3 of this announcement
“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
“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 directors of the Company
“GDA”	Guangdong AEON Teem Co., Ltd., a company incorporated in the PRC and a 65%-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other Entities”	business entities which are not members of the Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Product Development Agreement”	the product development agreement dated 29 May 2020 entered into between ASC and ATV China

“Product Development Agreement”	the agreement dated 13 December 2022 entered into between ASC and ATV China in respect of the design and development of the Relevant ATV Products
“Relevant ATV Products”	food products and non-food supermarket products bearing the “TopValu” trademark, which are designed and developed by ASC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the shares of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 13 December 2022

As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Mr. Makoto Fukuda and Mr. Hiroyuki Inohara; and the Independent Non-executive Directors are Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Law Chi Yan Joyce.