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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 MASTER AGREEMENT**

The Board is pleased to announce that on 17 April 2023, the Company entered into the Master Agreement with AGMd to better regulate the purchase of merchandise by the Company from AGMd going forward.

As at the date of this announcement, AGMd 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 Master 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 Annual Caps exceed 0.1% but are below 5%, the Master 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. INTRODUCTION

The Board is pleased to announce that on 17 April 2023, the Company entered into the Master Agreement with AGMd to better regulate the purchase of merchandise by the Company from AGMd going forward.

2. THE MASTER AGREEMENT

AGMd has been set up by AEON Co to gather and co-ordinate demands by all the members in the different retail lines of the AEON Group in Japan for merchandise of various popular brands (the "NB Merchandise") which are made widely available in

the market by the respective brand owners who are third parties independent of AEON Co, its subsidiaries and associates.

By taking advantage of the vast volume of demands created by thousands of the retail outlets of the AEON Group, AGMd is in a good position to maximize the discount in the purchase price of the NB Merchandise. In turn, the retail members of the AEON Group enjoy a better discount as bargained by AGMd.

As part of the Company's ordinary and usual course of business, the Company has been selling items (which the Company procures from third-party suppliers independent of AEON Co, its subsidiaries and associates) similar to, if not the same as, the NB Merchandise procured by AGMd for other members of AEON Group. Having obtained further details from AGMd, the Company realized that AGMd had been able to obtain the NB Merchandise at a better discounted price.

Since May 2022, the Company has, in the ordinary and usual course of its business, made purchases of certain items of the NB Merchandise from AGMd with a view to evaluate the synergy effects brought about by AGMd. According to the aggregated annual total amount purchased, these purchase transactions with AGMd constituted *de minimis* transactions pursuant to Rule 14A.76(1) of the Listing Rules. It is anticipated that further purchases from AGMd will exceed the limit of *de minimis* transactions. The parties thus entered into the Master Agreement to better regulate the purchases from AGMd.

The principal terms of the Master Agreement are as follows:

Date

17 April 2023

Parties

- (i) The Company, as purchaser; and
- (ii) AGMd, as seller.

The term

The term of the Master Agreement shall be for a period of three years commencing from the Effective Date and ending on 16 April 2026. The parties to the Master Agreement may, subject to compliance with the Listing Rules, renew the Master Agreement.

Nature of Transactions

The Company will purchase from AGMd a variety of the NB Merchandise which AGMd procures from popular brand owners who are third parties independent of 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 and supermarket stores.

Pricing

The sale and purchase of the NB Merchandise 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 NB Merchandise by AGMd.

The prices offered by AGMd shall be no less favourable than (i) the prices available in the market for the same or similar merchandises and (ii) the prices offered by AGMd to its other purchaser(s), if any, save and except certain difference in prices arising out of the difference in the relative location and the actual freight costs applicable to a purchasing party. There is no other fees payable by the Company in respect of the deliveries of the NB Merchandise to the Company's warehouse in Japan.

Rebates

AGMd may, taking into account factors such as purchase volume, promotions from manufacturers, its own budgets, results and profits earned, grant rebates to the Company as agreed mutually between the parties from time to time.

Sales Contracts

The Company shall enter into specific sale and purchase contracts with AGMd, which adopt the terms and conditions set out in the Master 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 merchandise.

Further Assistance

For the purposes of facilitating the Company's sourcing of merchandises, which would enable the Company to efficiently provide its general merchandise stores and supermarket stores with the required types and amounts of merchandise and maintain the competitiveness of its business, the Company and AGMd 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. AGMd 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 AGMd have undertaken to keep all such information and data received or exchanged confidential.

In addition, AGMd agrees to allow the Company'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 Agreement may be terminated by 3 month's 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.

INTERNAL CONTROL

In order to ensure that the Company's total cost for its purchase of merchandise from AGMd is no less favourable than that from independent supplier(s), the Company has set up mechanism for its business units to compare the total cost of the Group for the purchase of relevant merchandise from AGMd with that from the independent supplier(s). Record of such comparison shall be documented as proof for subsequent verification by the Company's Connected Party Transaction Panel.

As part of the Group's internal control systems, the Company's Connected Party Transaction Panel, comprising the finance general 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 the Master Agreement.

The Connected Party Transaction Panel generally holds meetings biweekly to review and monitor all continuing connected transactions of the Group (including the transactions contemplated under the Master Agreement). Whilst the finance departments of the relevant members of the Group will conduct the initial level of control over the transactions and the transaction amounts under the Master Agreement to ensure they are conducted within the frameworks and the annual caps of the Master Agreement. Where necessary, the Connected Party Transaction Panel will conduct biannual review of the transactions under the Master Agreement to ensure the transactions are conducted within the framework of the Master Agreement and monitor the utilization of the annual caps for the Master Agreement to ensure timely compliance with the requirements under Chapter 14A of the Listing Rules.

3. ANNUAL CAPS

The historical amount of the transactions between the Company and AGMd for the period from 1 May 2022 to 31 December 2022 is approximately HK\$1.9 million.

The Directors estimate that the maximum aggregate amount payable by the Company to AGMd on an annual basis in respect of the transactions under the Master Agreement will not exceed the annual caps (the "**Annual Caps**") below:

Financial Year/Period	Annual Caps
17/4/2023 to 31/12/2023	HK\$7.8 million
1/1/2024 to 31/12/2024	HK\$11.0 million
1/1/2025 to 31/12/2025	HK\$11.0 million
1/1/2026 to 16/4/2026	HK\$3.2 million

In arriving at the Annual Caps, the Directors took into account the historical amount, the Company's business projections, the fluctuation in foreign exchange rate(s) and certain buffer.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As mentioned above, the Company has been engaged in merchandise transactions with AGMd in its ordinary and usual course of business. In view of the Company's strategy to continue control on merchandise cost which in turn may enhance the gross profit margin of the Company's business operations. The Directors believe that the entering into of the Master Agreement should allow the Company to share AGMd's aggregated purchasing power.

The Directors, including all the independent non-executive Directors, are of the view that (i) the Master Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Master Agreement and the transactions contemplated thereunder, together with the Annual Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Master 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 Master 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 Master Agreement and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, AGMd 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 Master 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 Annual Caps exceed 0.1% but are below 5%, the Master 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.

6. INFORMATION ABOUT THE PARTIES

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

AGMd is principally engaged in merchandise procurement for members of the AEON Group with its mission to maximize AEON Group's purchasing volume, to consolidate business negotiations with business partners and manufacturers and to reduce costs by aggregating demands from group companies.

7. DEFINITIONS

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

“Actual Cost”	the actual costs of the merchandises paid and/or payable to the manufacturers, factories and/or suppliers who are independent third parties from AEON, its subsidiaries and/or associates
“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 (unless the context otherwise requires, excluding members of the Group)
“AGMd”	AEON Global Merchandising Company Limited, a company incorporated in Japan with limited liability, and a wholly owned subsidiary of AEON Co
“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

“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
“Effective Date”	the effective date of the Master Agreement, being 17 April 2023
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement dated 17 April 2023 entered into between the Company and AGMd in respect of the purchases of the NB Merchandise by the Company from AGMd
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 17 April 2023

As at the date of this announcement, the Executive Directors are Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Mr. Makoto Fukuda, Mr. Toshiya Goto and Mr. Hiroyuki Inohara; and the Independent Non-executive Directors are Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting.