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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 TRANSACTION IN RELATION TO
THE MASTER AGREEMENT**

Reference is made to the announcement of the Company dated 29 January 2019 in relation to the Existing Management Agreement entered into between the AEON GD (a subsidiary of the Company) and AEON Mall BM.

The Board is pleased to announce that on 16 December 2021, AEON GD and AEON Mall BM entered into the Master Agreement to govern certain transactions in respect of AEON GD's lease of the Premises.

As at the date of this announcement, AEON Mall BM is a connected person of the Company by virtue of its being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transaction 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 Cap are 0.1% or more but less than 5%, the transactions under the Master Agreement are subject to annual review and the applicable disclosure requirements and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 29 January 2019 in relation to the Existing Management Agreement entered into between the AEON GD, a subsidiary of the Company, and AEON Mall BM in respect of the management of the Premises and payment of related fees..

AEON GD and the Landlord, an Independent Third Party, entered into a tenancy agreement on 11 April 2018 in respect of the Premises in the Jinsha Mall. Based on the information available to the Directors, the Directors understand that AEON Mall BM has been appointed by the Landlord as property manager to manage the operation of the Jinsha Mall.

The Board is pleased to announce that on 16 December 2021, AEON GD entered into the Master Agreement with AEON Mall BM to govern certain transactions in respect of AEON GD's lease of the Premises.

2. THE MASTER AGREEMENT

Date

16 December 2021

Parties

- (i) AEON GD; and
- (ii) AEON Mall BM.

Term

The term of the Master Agreement shall commence from 1 February 2022 and end on 31 January 2025.

Nature of transactions

Utilities Expenses

Utilities expenses incurred by AEON GD in the Premises, comprising water and electricity expenses, shall be determined with reference to the actual usage of AEON GD and local municipal standard rates for electricity charges and water charges and shall be payable by AEON GD.

AEON GD shall pay the utility expenses to AEON MALL BM within 10 working days after receipt of the relevant invoice.

Facilities Maintenance Expenses

Expenses incurred for the maintenance, repair and replacement of facilities used by both AEON GD and AEON Mall BM shall be borne by AEON GD and AEON Mall BM on pro rata basis. Expenses incurred for maintenance, repair and replacement of facilities exclusively used by AEON GD shall be fully borne by AEON GD.

Property Management Fees

Monthly property management fees shall be payable by AEON GD to AEON Mall BM and shall cover among other things, (i) cleaning fees in respect of public areas within the Jinsha Mall; (ii) cleaning and maintenance fees in respect of public facilities within the Jinsha Mall; (iii) afforestation fees in respect of public areas within the Jinsha Mall; and (iv) fees for maintenance of safety and security in public areas and carpark of Jinsha Mall. A fixed rate of RMB10 (tax inclusive) per square metre of the Premises shall apply towards the calculation of the property management fees payable by AEON GD.

Payment of the property management fees by AEON GD to AEON Mall BM shall be made before the 10th day of each month and upon receipt of payment, AEON Mall BM shall issue a relevant VAT invoice to AEON GD before the 15th day of that month.

Sign Boards

AEON Mall BM agrees that AEON GD may set up signage on the façade of the Premises in accordance with mutually agreed location plan. Prior to installation, AEON GD shall submit its design and implementation plan for AEON Mall BM's approval. AEON GD shall bear its own costs in relation to the application, installation, maintenance and removal of the signage.

3. THE CAP AMOUNT

The Directors estimate that the Cap for each of the following periods shall be:

| Financial Year/Period | Cap <i>(RMB millions)</i> |
|--------------------------------|-------------------------------------|
| 1 February to 31 December 2022 | 5.3 |
| 1 January to 31 December 2023 | 6.8 |
| 1 January to 31 December 2024 | 8.1 |
| 1 January to 31 January 2025 | 0.8 |

In arriving at the Cap, the Directors have taken into account (i) historical aggregated amount of fees paid and payable by AEON GD to AEON Mall BM under the Existing Management Agreement for the past periods from 1 February 2019 to 31 December 2019, the year ending 31 December 2020 and from 1 January 2021 to 30 June 2021, being approximately RMB4.5 million, RMB4.0 million and RMB1.9 million respectively and (ii) the amount of utilities expenses, facilities maintenance expenses, property management fees and other outgoings estimated to be payable by AEON GD with reference to operations and consumptions in similar stores operated by AEON GD, business growth, number and nature of AEON GD's tenants.

4. REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT

Based on information available to the Directors, the Directors understand that AEON Mall BM has been appointed by the Landlord as the property manager to manage the operation the Jinshan Mall and shall pay the utilities expenses incurred in the Jinsha Mall to the utility suppliers on behalf of the Landlord and pay for expenses relating to facilities maintenance, repair and replacement and the property management. The amounts payable by AEON GD to AEON Mall BM pursuant to the Master Agreement represent AEON GD's proportionate contribution to such expenses, which will be subsequently paid by AEON Mall BM to the utility suppliers or relevant authorities or parties. The rates for utilities expenses facilities expenses and property management fees are no less favourable than those applicable to other tenants of the Jinsha Mall.

The terms of the Master Agreement have been reached after arm's length negotiations between AEON GD and AEON Mall BM. Accordingly, the Directors (including the independent non-executive Directors) are of the opinion that:

- (1) the transactions under the Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and
- (2) such transactions and the Cap 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 Master Agreement, 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 Master Agreement and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, AEON Mall BM is a connected person of the Company by virtue of its being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transaction 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 Cap are 0.1% or more but less than 5%, the transactions under the Master Agreement are subject to annual review and the applicable disclosure requirements 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 retail stores in Hong Kong and the PRC.

AEON Mall BM is principally engaged in business management including but not limited to property leasing management business.

7. DEFINITIONS

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

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| “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 Company Limited), a company incorporated in the PRC and owned as to 65% by the Company |
| “AEON Mall BM” | 永旺夢樂城(廣州白雲)商業管理有限公司, a company incorporated in the PRC and an indirect subsidiary of AEON Co. |
| “Board” | the board of Directors |
| “Cap” | the maximum amounts payable by AEON GD to AEON Mall pursuant to the Master Agreement |
| “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 transaction” | 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 |
| “Existing Management Agreement” | the management agreement entered into between AEON GD and AEON Mall BM on 29 January 2019 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region, PRC |

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|---------------------------|--|
| “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 |
| “Jinsha Mall” | 永旺夢樂城廣州金沙購物中心, the commercial property owned by the Landlord in Jinshazhou, Baiyun District, Guangzhou, PRC, a part of which is leased to AEON GD |
| “Landlord” | 廣州市金沙洲商業中心經營管理有限公司, the landlord of the Premises and an Independent Third Party |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Master Agreement” | the master agreement entered into between AEON GD and AEON Mall BM on 16 December 2021 |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan |
| “Premises” | Shop No.43, located in the Jinsha Mall |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

Hong Kong, 16 December 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 non-executive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty, Mr. Chow Chi Tong and Mr. Hideto Mizuno.