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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  
ENTERING INTO OF THE MASTER SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 30 June 2021 in relation to, among other things, the Previous Master Services Agreement which will expire on 31 December 2024. The Board is pleased to announce that on 31 December 2024, the Company has conditionally entered into the Master Services Agreement with AEON Delight to renew the Previous Master Services Agreement.

As at the date of this announcement, each of AEON Delight and AEON Co is a connected person of the Company by virtue of AEON Co being the controlling shareholder of the Company and AEON Delight being a subsidiary of AEON Co. Accordingly, the transactions contemplated under the Master Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps under the Master Services Agreement is more than 5%, the transactions contemplated under the Master Services Agreement 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.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Master Services Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the Master Services Agreement.

A circular containing, among other things, (i) the details of the Master Services Agreement; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders no later than [22] January 2025.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 30 June 2021 in relation to, among other things, the Previous Master Services Agreement which will expire on 31 December 2024. The Board is pleased to announce that on 31 December 2024, the Company has conditionally entered into the Master Services Agreement with AEON Delight to renew the Previous Master Services Agreement.

## **THE MASTER SERVICES AGREEMENT**

### **Principal terms**

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

Date: 31 December 2024

Parties: the Company; and  
AEON Delight

Term: Subject to the fulfilment of the Condition Precedents, the term of the Master Services Agreement shall be a period of three years commencing on 1 January 2025 and expiring on 31 December 2027 unless terminated earlier in accordance with the terms of the Master Services Agreement. If the Condition Precedents have not been fulfilled as certified by the respective party, the Master Services Agreement shall immediately terminate and the parties shall have no claims thereunder save as to any antecedent breach.

Provision of services: Pursuant to the Master Services Agreement, where a member of the AEON Delight Group is selected through relevant procurement process to provide the Services, the Company and/or the relevant member of the Group and the relevant member of the AEON Delight Group may from time to time (and AEON Delight shall procure such member of the AEON Delight Group to) enter into separate contracts setting out the detailed terms under which the relevant member of the AEON Delight Group shall provide, or procure to be provided, the Services to the Company and/or the relevant member of the

Group. Such terms shall be on normal commercial terms, on an arm's length basis and are on terms not less favourable to which the Company and/or the relevant member of the Group procures the Services from independent third parties.

Subcontracting and procurement of services:

In fulfilling its obligations under any separate contracts entered into pursuant to the Master Services Agreement, the relevant member of the AEON Delight Group shall not subcontract to or procure the provision of the Services by any third party unless such member of the AEON Delight Group shall have first obtained the prior written consent of the Company and/or the relevant member of the Group, and provided that such third party shall be required to render such Services in accordance with all the terms of the Master Services Agreement and the relevant separate contract, and such member of the AEON Delight Group shall remain primarily liable for the performance of its obligations hereunder.

### **Procurement Process**

In relation to the procurement process, the relevant members of the Group may, in their sole and absolute discretion, invite the AEON Delight Group to tender to provide certain Services. If the AEON Delight Group is invited to tender, the relevant member of the Group will also invite quotations or tenders from at least two other independent third party suppliers for such Services. The management of the relevant member of the Group will then compare the quotations offered by the respective bidders and conduct an assessment, taking into account factors such as their background and reputation, any existing business relationship with such bidders, the price, scope and quality of services offered by the bidders.

After considering the abovementioned factors, the management of the relevant member of the Group will then decide on which bidder to engage and enter into a services contract with for the provision of Services. By implementing the above methods and procedures, the Directors consider that the Company has implemented sufficient measures to ensure that the transactions under the Master Service Agreement will be conducted on normal commercial terms or terms not less favourable to which the relevant members of the Group procure from independent third parties.

### **The transaction amount and annual cap**

The Directors estimate that the maximum amount payable by the Company to AEON Delight under the Master Services Agreement on an annual basis will not exceed the annual caps below:

<b>Financial Year</b>	<b>Annual cap RMB million</b>
1 January to 31 December 2025	85.7
1 January to 31 December 2026	109.2
1 January to 31 December 2027	115.2

In arriving at the above annual caps, the Directors have taken into account (i) historical transaction amounts under the Previous Master Services Agreement as set out below; (ii) the expected business growth of the Group (including the opening of new stores) and based on the assumption that AEON Delight will win the relevant tenders and be selected for the provision of certain Services for existing and new stores. Taking into account the above, the Directors consider that the annual caps for the Master Services Agreement are fair and reasonable. The Directors consider that the historical transaction amounts for the Previous Master Services Agreement is only one of the factors in arriving at the proposed annual caps for the Master Services Agreement. The other factors such as AEON Delight winning the tenders and the Group's expected business growth take a heavier weight in the process of determining the proposed annual caps

Historical transaction amount paid by the Company under the Previous Master Services Agreement:

Financial Year/Period	Annual Cap under Previous Master Services Agreement <i>(RMB million)</i>	Actual Transaction Amount <i>(RMB million)</i>
1 January 2022 – 31 December 2022	40.5	29.4
1 January 2023 – 31 December 2023	49.5	36.1
1 January 2024 – 30 September 2024	54.7	30.6

*(Note)*

Note: This annual cap amount is for the period of 1 January 2024 to 31 December 2024.

The Company does not expect that the annual cap under the Previous Master Services Agreement for the period from 1 January 2024 to 31 December 2024 will be exceeded.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SERVICES AGREEMENT**

The Group is principally engaged in the operation of retail stores in Hong Kong and the PRC and require to procure the Services in its ordinary and usual course of business. The Group selects providers for such Services with reference to prevailing market conditions and where appropriate, based on a procurement process conducted at arm's length basis, and make their selection based on normal commercial considerations.

Pursuant to the Previous Master Services Agreement, the Group has procured such services from members of the AEON Delight Group. The Previous Master Services Agreement will expire on 31 December 2024. The Directors consider that the continued engagement of members of the AEON Delight Group to provide the Services in the ordinary and usual course of business, subject to members of the AEON Delight Group being selected under the Group's procurement process as described above, would allow the Group to import leading service knowhow from the AEON Delight Group, improve the Group's service quality to customers, enhance customer satisfaction when shopping at the Group's stores, reduce the Group's efforts in service alignment and enhance the Group's costs control and service level upgrading. The Directors are of the view that the entering into of the Master Services Agreement would continue to ensure certainty in the entering into of any future

transactions with the AEON Delight Group for the provision of Services and also reduce the compliance procedures for each such future transactions.

The terms of the Master Services Agreement have been agreed after arm's length negotiations between the Company and AEON Delight. The Directors, excluding the independent non-executive Directors whose view will be set out in the circular to be issued by the Company, are of the view that (i) the Master Services Agreement and the transactions contemplated thereunder are on normal commercial terms; (ii) the terms of the Master Services Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (iii) the Master Services Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business.

## **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 the Master Services Agreement. 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 Master Services Agreement to ensure they are conducted within the frameworks and the annual caps of the Master Services Agreement. Where necessary, the Connected Party Transaction Panel will conduct biannual review of the transactions under the Master Services Agreement to ensure the transactions are conducted within the framework of the Master Services Agreement and monitor the utilisation of the annual caps for the Master Services Agreement to ensure timely compliance with the requirements under Chapter 14A of the Listing Rules.

## **INFORMATION ABOUT THE PARTIES**

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

AEON Delight is principally engaged in business management and has been granted the rights to manage the business operations of its related and affiliated corporations in the PRC. Members of the AEON Delight Group is principally engaged in the comprehensive facility management services, including a wide range of facilities management, maintenance, consulting, cleaning, security, and material/supplies sourcing services. 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.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, each of AEON Delight and AEON Co is a connected person of the Company by virtue of AEON Co being the controlling shareholder of the Company and AEON Delight being a subsidiary of AEON Co. Accordingly, the transactions contemplated under the Master Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps under the Master Services Agreement is more than 5%, the transactions contemplated under the Master Services Agreement 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.

## **FORMATION OF AN INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF 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 the terms of the Master Services Agreement and the relevant annual caps of the underlying transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **CIRCULAR**

A circular containing, among other things, (i) the details of the Master Services Agreement; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders no later than 22 January 2025.

## **EGM**

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the Master Services Agreement. In view of AEON Co's interests in the Master Services Agreement, AEON Co and its associates are required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve the Master Services Agreement and the relevant annual caps of the underlying transactions contemplated thereunder. Mr. Toshiya Goto, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Mr. Hiroyuki Inohara, Mr. Kenji Fujita and Mr. Yasutoshi Yokochi are shareholders, employees or ex-employees of AEON Co and are regarded as potentially having a material interest in the Master Services Agreement. Accordingly, they have accordingly abstained from voting on the relevant resolutions at the Board meeting convened to consider the Master Services Agreement. For the same reason, Mr. Takenori Nagashima and Mr. Shinya Hisanaga (being shareholders of the Company) will abstain from voting on the relevant

resolutions as a shareholder of the Company at the EGM. Apart from the above persons, the Directors are not aware of any other shareholders of the Company who are required to abstain from voting on the resolutions at the EGM.

## DEFINITIONS

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

“Services”	the services to be provided by the AEON Delight Group pursuant to the Master Services Agreement, including comprehensive building/facilities management, maintenance and cleaning services, management consultation, business services, research, development and production of computer hardware and software, data processing and such other services in relation to retail stores, offices and/or other facilities/establishments operated by the Group in Hong Kong and the PRC as may be agreed by the parties from time to time
“AEON Co”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“AEON Delight”	[永旺永樂服務管理集團有限公司], a company with limited liability established under the laws of the PRC and an indirect non-wholly-owned subsidiary of AEON Co
“AEON Delight Group”	AEON Delight, together with its PRC incorporated subsidiaries, related and affiliate corporations
“Board”	the board of Directors
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 984)
“Condition Precedents”	in respect of the Master Services Agreement, 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 Services Agreement
“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
“EGM”	the extraordinary general meeting of Shareholders to be held to consider resolutions relating to the Master Services Agreement and the transactions contemplated thereunder and any adjournment of such EGM

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting
“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 transactions contemplated under the CCT Agreements
“Independent Shareholders”	Shareholders other than those who have a material interest in the CCT Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region, PRC
“Master Services Agreement”	the master services agreement entered into between the Company and AEON Delight on 31 December 2024
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Previous Master Services Agreement”	the master services agreement entered into between the Company and AEON Delight on 30 June 2021
“RMB”	renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) in the Company
“Shareholder(s)”	holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Hong Kong and Macau
“%”	per cent.

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

Hong Kong, 31 December 2024

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