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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 RENEWED ROYALTY AGREEMENT**

Reference is made to the announcements dated 12 December 2006, 3 April 2007, 16 April 2010 and 28 December 2012 respectively of the Company in relation to the Royalty Agreement.

The Board is pleased to announce that on 29 December 2015 the Company entered into a renewal agreement to renew the Royalty Agreement with the Adviser on substantially the same terms.

The duration of the Renewed Royalty Agreement shall be three years, thereafter extendable by successive three year periods if the parties so agree and subject to compliance with the Listing Rules. The Cap for the three years ended 31 December 2018 shall be HK\$49 million.

The Adviser is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Given that the Cap for each of the three years ending 31 December 2018 represents less than 5% of the applicable percentage ratios as defined in the Listing Rules, the Transaction is subject to annual review and the applicable disclosure requirements under chapter 14A of the Listing Rules and are exempt from shareholders' approval requirements under chapter 14A of the Listing Rules.

#### **1. INTRODUCTION**

Reference is made to the announcements dated 12 December 2006, 3 April 2007, 16 April 2010 and 28 December 2012 of the Company in relation to the Royalty Agreement. The Royalty Agreement was entered into to govern the provision of certain technical assistance by the Adviser to the Company and will be expired on 31 December 2015 pursuant to its terms.

The Board is pleased to announce that on 29 December 2015 the Company entered into a renewal agreement to renew the Royalty Agreement with the Adviser on substantially the same terms other than the fees payable by the Company to the Adviser thereunder which have been reduced from a flat rate of 0.4% to the rates disclosed in the section headed "Fees and Payment" below.

## **2. TERMS OF THE RENEWED ROYALTY AGREEMENT**

### **Duration**

The term of the Renewed Royalty Agreement shall be a period of three years expiring on 31 December 2018, provided that the Renewed Royalty 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.

### **Fees and Payment**

The Company shall pay to the Adviser a fee in respect of each financial year of the Company: (a) an amount representing 0.2% of the audited consolidated Total of Revenue of the Company and its Affiliates for that financial year; and (b) an amount representing 0.05% of the audited Total of Revenue of the Company and its Affiliates in respect of the Business in the Territory for the relevant financial year.

The fee payable by the Company to the Adviser shall be paid within 30 days after the Company's annual general meeting (or its adjourned meeting(s)) which approve the Company's consolidated financial results of each Financial Year.

### **Trademarks**

Pursuant to the Renewed Royalty Agreement, the Company and its Affiliates (through the Company) are granted:

- (a) exclusive right to use the Hong Kong Trade Marks and the Macau Trade Marks in relation to the Business within the Territory;
- (b) non-exclusive right to use the PRC Trade Marks in relation to the Business within the PRC; and
- (c) non-exclusive right to use the Trade Marks in relation to the following businesses in the Territory and the PRC:
  - (i) the provision of retail services;
  - (ii) the operation of Shopping Centres; and
  - (iii) catering services, food-court with seating and restaurants.

### **Technical Assistance**

The Adviser shall disclose full particulars of the Know-How to the Company and grant the Company the non-exclusive right to use the Know-How in relation to the Business in the Territory and the PRC.

### **Non-competition**

The Adviser undertakes that, except with the prior written consent of the Company, neither the Adviser nor any of its Affiliates will, either solely or jointly with any person, be engaged in or participate in the ownership or operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores within the Territory.

### 3. THE CAP AMOUNT

#### Historical figures

The historical transaction amounts in respect of the Royalty Agreement for the two years ended 31 December 2014 and the six months ended 30 June 2015 were as follows:

<b>Period</b>	<b>Annual cap HK\$'000,000</b>	<b>Fees payable by the Company to the Adviser under the Royalty Agreement HK\$'000,000</b>
Year ended 31 December 2013	108	48
Year ended 31 December 2014	108	50
Six months ended 30 June 2015	108	25

#### The Cap Amount

The Cap for each of the three years ended 31 December 2018 shall be HK\$49 million. In arriving at the Cap, the Directors have taken into account various factors including the historical transaction amounts and the historical growth in retail sales of the Group's department stores and the supermarket chain stores, the expected business growth of the Group in Hong Kong and the PRC in the coming three years and the addition of buffer to allow flexibility for the further increase in sales of the Group in light of the expected opening of new stores by the Group in the coming three years depending on the Group's business expansion plans and operational needs, and the possibility that RMB will appreciate.

### 4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors have noted that the Trade Marks, which are well known in Hong Kong, Macau and the Guangdong Province of the PRC, are essential to the operations and success of the Group. In addition, the Know-How which comprises information and knowhow used, employed or developed by the Adviser for the management and operation of retail stores, wholesale business and related supporting facilities can also benefit the operations of the Group. The Directors therefore consider that the use of the Trade Marks by the Group would continue to benefit the business development and expansion of the Group in Hong Kong, Macau and the PRC. The Directors are of the view that the entering into of the Renewed Royalty Agreement would secure the use of the Trade Marks and the Know-How on terms reasonable to the Company.

The terms of the Renewed Royalty Agreement have been reached after arm's length negotiations between the Company and the Adviser. The Directors (including the independent non-executive Directors) are of the view that (i) entering into of the Transaction is in the ordinary and usual course of business of the Group; (ii) the terms of the Transaction are on normal commercial terms; and (iii) the terms of the Transaction 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 Renewed Royalty Agreement, Mr. Yoshiaki Mizushima, Mr. Hideaki Yajima, Ms. Yuki Habu and Mr. Shinya Wako were regarded as potentially having a material interest in the Renewed Royalty Agreement and accordingly abstained from voting on the relevant resolutions.

## 5. INFORMATION ON THE PARTIES

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

The Adviser is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. The Adviser'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 service and other operations in Japan and other Asian countries.

## 6. LISTING RULES IMPLICATIONS

As at the date of this announcement, the Adviser is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Given that the Cap for each of the three years ending 31 December 2018 represents less than 5% of the applicable percentage ratios as defined in the Listing Rules, the Transaction is subject to annual review and the applicable disclosure requirements under chapter 14A of the Listing Rules and are exempt from shareholders' approval requirements under chapter 14A of the Listing Rules.

## 7. DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context requires otherwise:

“Adviser”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“Affiliates”	with respect to a party, means all companies, firms, corporations or other entities which are either directly or indirectly controlling, controlled by or under common control with that party, provided that this term when referring to the Company and its Affiliates shall not include the Adviser and companies owned or controlled by the Adviser other than the Company and companies directly or indirectly controlled by the Company and, when referring to the Adviser and its Affiliates, shall not include the Company and companies owned or directly or indirectly controlled by the Company
“Amendment Agreement”	the amendment agreement entered into between the Company and the Adviser on 12 December 2006
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company

“Business”	the (i) ownership or (ii) ownership and operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores
“Cap”	the maximum aggregate annual value for the fees and expenses payable to the Adviser by the Company pursuant to the Renewed Royalty Agreement for each of the three years ending 31 December 2018
“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
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Direct Sales Area”	(i) the floorspace where consumer merchandise is displayed; (ii) the floorspace occupied or utilised by facilities ancillary to and relating to the above and to which customers have access including corridors, cashier counters, customer service counters, sitting areas, washrooms and baby care rooms; and (iii) the floorspace licensed by the Company to third parties trading under their own names and/or their own account
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Hong Kong Trade Marks”	the trade marks that are owned and registered by the Adviser in Hong Kong and may be licensed to the Company from time to time
“Know-How”	all information and know-how (including that comprised in formulae, techniques, designs, specifications, drawings, manuals, instructions and catalogues) used, employed or developed by the Adviser from time to time for the management and operation of retail stores, wholesale business and related supporting facilities (as the same may from time to time be modified, improved, updated or amended)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region, PRC
“Macau Trade Marks”	the trade marks that are owned and registered by the Adviser in Macau and may be licensed to the Company from time to time

“Multiple Category Stores”	<p>a retail store that has the characteristics set out below:</p> <p>(i) groups together within the store at least two of the three categories or departments referred to below, with a wide selection of consumer merchandise within each category or department.</p> <p>The three categories or departments referred to are:</p> <p>(a) clothing, shoes, and accessories;</p> <p>(b) household goods and day to day items excluding subparagraphs (a) and (c) of this definition but including toiletries, cosmetics, electrical and electronic appliances and goods, tools and hardware, and houseware; and</p> <p>(c) food items;</p> <p>(ii) occupies Direct Sales Area of more than 5,000 square meters</p>
“PRC”	the People’s Republic of China
“PRC Trade Marks”	the trade marks that are owned and registered by the Adviser in the PRC and may be licensed to the Company from time to time
“Royalty Agreement”	the Technical Assistance Agreement as amended by the Amendment Agreement and further amended by the Supplemental Agreement, subsequently renewed by a renewal agreement dated 16 April 2010 and further renewed by a renewal agreement dated 28 December 2012
“Renewed Royalty Agreement”	the Royalty Agreement as renewed by a renewal agreement entered into on 29 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holders of the Shares from time to time
“Shares”	shares of the Company
“Shopping Centres”	a commercial facility which contains a collection of stores including but not limited to retail stores and restaurants
“Special Supermarket Stores”	a store that sells food items as the store’s major merchandise and occupies Direct Sales Area of more than 500 square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Adviser on 2 April 2007
“Technical Assistance Agreement”	the technical assistance agreement entered into between the Company and the Adviser on 31 December 1993

“Territory”	Hong Kong and Macau
“Total of Revenue”	<p>the aggregate of:</p> <p>(i) the total amount of the direct sales of the Company and its Affiliates;</p> <p>(ii) the total amount of the sales of the respective concessionaires of the Company and its Affiliates; and</p> <p>(iii) the total amount of licensee fees and rentals received by the Company and its Affiliates from licensees and sub-tenants of the Company and its Affiliates,</p> <p>all attributable to the exclusive and non-exclusive rights granted by the Adviser to the Company to use the Trade Marks under the Renewed Royalty Agreement.</p> <p>For the avoidance of doubt, discounts, refunds/return of goods and sales or purchases taxes or levies shall not form part of any of the items (i) to (iii) above for the purpose of this definition</p>
“Trade Marks”	the trade marks that are owned and registered by the Adviser in the Territory and the PRC and may be licensed to the Company from time to time
“Transaction”	the Renewed Royalty Agreement and the transactions contemplated thereunder

By order of the Board of  
**AEON Stores (Hong Kong) Co., Limited**  
**Chan Pui Man, Christine**  
*Managing Director*

Hong Kong, 29 December 2015

*As at the date of this announcement, the executive Directors are Ms. Chan Pui Man, Christine, Mr. Yoshiaki Mizushima and Mr. Chak Kam Yuen and Mr. Hideaki Yajima; the non-executive Directors are Ms. Yuki Habu and Mr. Shinya Wako; and the independent non-executive Directors are Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna and Ms. Lo Miu Sheung, Betty.*