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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 SERVICES AGREEMENT**

The Board is pleased to announce that on 16 June 2017, the Company entered into the Master Services Agreement with AGSCM in relation to the provision of the Services.

As at the date of this announcement, AGSCM 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 Services 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 in respect of the Cap are 0.1% or more but less than 5%, the transactions under the Master Services Agreement are subject to annual review and the applicable disclosure requirements and are exempt from shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **1. INTRODUCTION**

The Board is pleased to announce that on 16 June 2017, the Company entered into the Master Services Agreement with AGSCM in relation to the provision of the Services.

#### **2. TERMS OF THE MASTER SERVICES AGREEMENT**

##### **Date**

16 June 2017

##### **Parties**

- (i) the Company; and
- (ii) AGSCM.

## **Scope of Services**

AGSCM Group shall provide the following services to the Group in respect of the Group's logistics affairs:

### ***Consultancy services***

The AGSCM Group will first identify issues and/or problems with the existing logistics systems of members of the Group. The AGSCM Group will then provide proposals for and assistance with, handling and resolving the identified issues and/or problems.

### ***Logistics services***

The AGSCM Group will transport merchandise from suppliers designated by the Group to locations designated by the Group and assist with related matters, including without limitation the distribution, storage, handling and packaging of merchandise, distribution processing and the processing of logistics information.

## **Provision of Services**

The Group selects providers for the Services with reference to prevailing market conditions and based on a procurement process conducted on arm's length basis, and makes their selection based on normal commercial considerations.

In relation to the procurement process, the relevant member of the Group may, in their sole and absolute discretion, invite the AGSCM Group to tender to provide certain Services. If the AGSCM 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. The relevant member of the Group will consider and compare the prices offered by the different bidders based on their respective monthly service fees. For logistics services, the manpower costs (based on fixed monthly rates that vary for the different personnel) and handling charges (based on fixed rates that vary depending on the type of merchandise involved and services provided) will also be considered. 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 service contract with for the provision of Services.

Where a member of the AGSCM Group is selected through the abovementioned procurement process to provide the Services, the Company and/or the relevant member of the Group and the relevant member of the AGSCM Group may from time to time (and AGSCM shall procure such member of the AGSCM Group to) enter into separate contracts setting out the detailed terms under which the relevant member of the AGSCM 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 comparable terms to which the Company and/or the relevant member of the Group procures the Services from independent third parties.

## **Term**

The term of the Master Services Agreement is from 16 June 2017 to 15 June 2020. The parties to the Master Services Agreement may, subject to compliance with the Listing Rules, renew the Master Services Agreement by agreement in writing.

## **Termination**

The Master Services Agreement may be terminated by not less than 3 months' prior written notice by either party.

### **3. THE CAP AMOUNT**

The historical amounts of the transactions between the Group and the AGSCM Group for each of the 3 years ended 31 December 2016 were approximately HK\$2,019,000, HK\$1,836,000 and HK\$1,285,000 respectively.

The Cap for each of the following periods shall be:

<b>Financial Year/Period</b>	<b>Annual Cap (RMB)</b>
16 June 2017 to 31 December 2017	5.0 million
1 January 2018 to 31 December 2018	8.4 million
1 January 2019 to 31 December 2019	8.4 million
1 January 2020 to 15 June 2020	3.4 million

In arriving at the Cap, the Directors have taken into account various factors including the historical transaction amounts between the Group and the AGSCM Group and the expected business growth of the Group.

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

The Directors consider that the engagement of members of the AGSCM Group, which specialize in the provision of logistics related services and supply chain management, to provide the Services in the ordinary and usual course of business, subject to members of the AGSCM Group being selected under the Group's procurement process, would allow the Group to import leading service knowhow from the AGSCM Group, improve the efficiency of the Group's logistics system and enhance the Group's costs control. The Directors are also of the view that the entering into of the Master Services Agreement would ensure certainty in the entering of any future transactions with the AGSCM Group for the provision of Services and also reduce the compliance procedures for each such future transaction.

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

The AGSCM Group is principally engaged in the business of international cargo transport services, including cargo booking, consignment, packaging; supervision of the freight transport distribution, transfer; application for inspection; charging service; international multimodal transport and other international freight forwarding business; acting as domestic cargo transport agents; and provision of consultancy services in the PRC.

## 6. LISTING RULES IMPLICATIONS

As at the date of this announcement, AGSCM 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 Services 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 in respect of the Cap are 0.1% or more but less than 5%, the transactions under the Master Services Agreement are subject to annual review and the applicable disclosure requirements 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:

“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
“AGSCM”	永旺環球(北京)國際貨運代理有限公司 (AEON Global SCM (Beijing) Co. Limited)), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of AEON Co
“AGSCM Group”	AGSCM and its subsidiaries
“Board”	the board of Directors of the Company
“Cap”	the maximum aggregate amount payable by members of the Group to members of the AGSCM Group pursuant to the Master Services Agreement for each of the periods set out under Section 3 of this announcement

“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
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the master services agreement entered into between the Company and AGSCM on 16 June 2017
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	such consultancy and logistics services to be provided by AGSCM Group under the Master Services Agreement, and such other services as may be agreed between the Company and AGSCM from time to time
“Shareholder(s)”	registered holders of the Shares from time to time
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of  
**AEON Stores (Hong Kong) Co., Limited**  
**Yuki Habu**  
*Chairman and Managing Director*

Hong Kong, 16 June 2017

*As at the date of this announcement, the executive Directors are Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Hideaki Yajima, Mr. Chak Kam Yuen and Mr. Lau Chi Sum Sam; the non-executive Directors is Mr. Shinya Wako; and the independent non-executive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong.*