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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 IT MASTER AGREEMENT

The Board wishes to announce that on 30 August 2017, the Company and AIBS entered into the IT Master Agreement in respect of the provision of Services by AIBS.

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

1. BACKGROUND

The Board wishes to announce that on 30 August 2017, the Company and AIBS entered into the IT Master Agreement in respect of the provision of Services by AIBS.

2. THE IT MASTER AGREEMENT

Date

30 August 2017

Parties

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

Nature of transactions

Where AIBS is willing to provide and the Member(s) is/are willing to engage AIBS for the relevant Services, the relevant parties shall enter into a Service Contract setting out the detailed terms (e.g. payment terms) under which AIBS shall provide the relevant Services to the relevant Member(s). Such terms shall be on normal commercial terms, on an arm's length basis and on comparable terms to which the Members procure such services from Independent Third Parties, or to which AIBS provides such services to other Users. The Service Contracts shall also adopt the terms and conditions set out in the IT Master Agreement and the standard terms and conditions of the relevant Member prevailing at the time of execution of such Contract.

Pricing

The fees for the provision of Services by AIBS shall be charged on a cost-plus basis, representing the Actual Costs plus a mark-up rate of not more than 10%. Notwithstanding the foregoing, a mark-up rate of not more than 5% will apply in respect of Actual Costs which consist solely of personnel expenses of AIBS. Subject to compliance with the Listing Rules, the parties to the IT Master Agreement may review and amend such mark-up rates on an annual basis by mutual consent.

In respect of a Service Contract, where the Actual Costs are incurred by AIBS solely and exclusively for a Member, such Actual Costs shall be applied directly for calculation of the fees payable. If this is not the case, the Actual Costs shall be apportioned and allocated by AIBS among all Users that derive benefit from such Actual Costs, in accordance with the following principles:

- (i) where all Users are using the full functionality of Services derived from certain Actual Costs, such Actual Costs shall be apportioned among the Users in equal shares;
- (ii) where the level of usage of the Services derived from certain Actual Costs vary between the Users, such Actual Costs shall be apportioned among the Users with reference to the actual usage of each User;
- (iii) where the Actual Costs relate to the number of hardware, licenses and/or system login users, such Actual Costs shall be apportioned among the Users in accordance with their respective number of hardware, licenses and/or system login users; and
- (iv) where the Actual Cost relate to usage and maintenance, such Actual Costs shall be apportioned with reference to the level of usage (if readily available) or, as may be appropriate in the circumstances, to the number of transactions or sales turnover, or the number of licenses, machines and/or system login users incidental to and/or arising out of such Actual Costs.

The prices offered by AIBS shall be no less favourable than (i) prices available in the market for the same or similar services and (ii) the prices offered by AIBS to its other Users, if any.

Rebates

AIBS may, taking into account factors such as volume of usage, promotions from manufacturers, its budget, results and profits, grant rebates to the Member(s) (as agreed mutually between the relevant parties) from time to time.

Further Assistance

The Members shall have the right to audit, cross-check and verify the books, records, financial practice, business and operational flow and practice, electronic/computer system(s) of AIBS, including all information and documents relating to the direct and indirect costs incurred by AIBS in support of the billing of the Services, and to audit and monitor the performance by AIBS of its obligations under the Service Contracts.

Term

The IT Master Agreement has a term of three (3) years commencing on 30 August 2017 and ending on 29 August 2020, provided that the Company and AIBS may, subject to compliance with the Listing Rules, renew the IT Master Agreement.

Termination

The IT Master Agreement may be terminated by three (3) month's prior written notice by either the Company or AIBS. On termination, each Service Contract then in force shall nevertheless continue in full force and effect for the remainder of the term of such Service Contract, unless terminated in accordance with the terms of such Service Contract.

3. THE CAP AMOUNT

The historical amounts of the transactions between the Group and AIBS for each of the 2 years ended 31 December 2016 and for the six months ended 30 June 2017 were approximately HK\$840,000, HK\$111,000 and HK\$572,000 respectively.

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

Financial Year/Period	Cap <i>RMB millions</i>
30 August 2017 to 31 December 2017	28.0
1 January 2018 to 31 December 2018	56.4
1 January 2019 to 31 December 2019	56.4
1 January 2020 to 29 August 2020	28.4

In arriving at the Cap, the Directors have taken into account various factors including the historical transaction amounts between the Group and AIBS and the expected future IT related system development and services required by the Group.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that the entering into of the IT Master Agreement will enhance the Group's information technology systems as a whole, resulting in increased operational efficiencies and reduced costs incurred by the Group.

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

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, AIBS 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 IT 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 in respect of the Cap are 0.1% or more but less than 5%, the transactions thereunder are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing Rules 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 general merchandise stores in Hong Kong and the PRC.

AIBS is principally engaged in the provision of technical support, procurement of hardware and software and the development of retail related software.

7. DEFINITIONS

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

“Actual Costs”	all costs incurred in relation to the provision of Services, including direct costs such as AIBS's personnel expenses, external vendors' costs, operational costs, license fees, costs in relation to equipment and/or software and other indirect or common costs allocated on an equitable basis
“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
“AIBS”	AEON Integrated Business Service China Co., Limited, a company registered in the PRC and a subsidiary of AEON Co
“Board”	the board of Directors of the Company

“Cap”	the maximum amounts payable by the Group to AIBS pursuant to the IT Master 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, 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“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 of the Company in accordance with the Listing Rules
“IT Master Agreement”	the master agreement entered into between the Company and AIBS on 30 August 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Member(s)”	the Company and any of its subsidiaries, each a “Member”
“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
“Service Contract”	separate agreement(s) to be entered into between any Member and AIBS in respect of the provision of such Services as may be required by any Member from time to time

“Services”	services to be provided by AIBS under the IT Master Agreement, including but not limited to consultancy, design, development, enhancement, planning, project management, vendor selection and/or management, operation, training, management and maintenance services relating to the Group’s information technology systems, infrastructure, network, platform, equipment, applications and software and such other services as may be agreed between the members of the Group and AIBS from time to time
“User(s)”	parties, including the Members, who are using services provided by AIBS which are the same as or similar to the Services

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

Hong Kong, 30 August 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 Director 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.