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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

Reference is made to the announcements of the Company dated 1 and 7 January 2016 in relation to the Previous Master Services Agreement.

The Board is pleased to announce that on 11 December 2018 the Company entered into the Master Services Agreement with AEON Delight on substantially the same terms as the Previous Master Services Agreement. The term of the Master Services Agreement shall commence on 1 January 2019 for a period of three years.

As AEON Delight is a subsidiary of AEON, the controlling shareholder of the Company, the transactions under the Master Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Cap is 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 under Chapter 14A of the Listing Rules and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

Reference is made to the announcements of the Company dated 1 and 7 January 2016 in relation to the Previous Master Services Agreement.

The Board is pleased to announce that on 11 December 2018 the Company entered into the Master Services Agreement with AEON Delight on substantially the same terms as the Previous Master Services Agreement to set out the framework for the continuing provision of the Services by the members of the AEON Delight Group. Under the Master Services Agreement, members of the AEON Delight Group will provide Services to the Group in Hong Kong, Macau and the PRC, as the case may be.

2. THE MASTER SERVICES AGREEMENT

Date

11 December 2018

Parties

- (i) The Company; and
- (ii) AEON Delight

Duration

The term of the Master Services Agreement shall be a period of three years commencing on 1 January 2019 and expiring on 31 December 2021, provided that the Master Services Agreement shall be automatically renewed every three years unless terminated by either party and subject to compliance with the relevant Listing Rules requirements.

Provision of Services

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 comparable terms to which the Company and/or the relevant member of the Group procures the Services from independent third parties.

3. THE CAP

The total fees paid to members of the AEON Delight Group in the years ended 31 December 2016, and 2017 and the six months ended 30 June 2018 were RMB72.3 million, RMB65.3 million and RMB32.4 million. The Cap in respect of the Master Services Agreement for each of the three years ending 31 December 2021 shall be RMB45 million. In arriving at the Cap, the Directors have taken into account historical transaction amounts, the expected business growth of the Group in the coming three years, the expected opening of new stores by the Group and the estimated success rate of AEON Delight being selected for the provision of the Services.

AEON Delight agrees that where the aggregate fee payable by the Group exceed the Cap for the relevant financial year, subject to re-compliance with the Listing Rules of such revised Cap(s) to be adopted by the Company, the Group shall be released from any obligations to pay such part of the fee in excess of the Cap or the revised Cap(s), as the case maybe.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group currently operates general merchandise stores and shopping malls in Hong Kong and the Guangdong Province of the PRC which from time to time require 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 in the past. The Previous Master Services Agreement will expire on 31 December 2018. 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, 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 of any future transactions with the AEON Delight Group for the provision of Services and also reduce the compliance procedures for each such future transaction.

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 Services Agreement will be conducted on normal commercial terms or terms no less favourable to the Group than terms available to independent third parties.

The terms of the Master Services Agreement have been agreed after arm's length negotiations between the Company and AEON Delight. The Directors (including the independent non-executive Directors) are of the view that (i) 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 are in the interests of the Company and the shareholders of the Company as a whole.

At a Board meeting convened to consider the Master Services Agreement, Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Keiji Tsukahara and Mr. Akinori Yamashita were regarded as potentially having a material interest in the Master Services Agreement and accordingly abstained from voting on the relevant resolutions.

5. INFORMATION ABOUT THE PARTIES

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

AEON is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. AEON'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. 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.

6. LISTING RULES IMPLICATIONS

As at the date of this announcement, AEON Delight is a connected person of the Company by virtue of its being an indirectly non-wholly owned subsidiary of AEON who is the controlling shareholder of the Company.

As each of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Cap is 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 under Chapter 14A of the Listing Rules and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“AEON”	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（上海）企業管理有限公司, a company with limited liability established under the laws of the PRC and an indirect non-wholly-owned subsidiary of AEON and is the contracting party to the Master Service Agreement in place of AEON Delight (China) due to restructuring of the AEON Delight Group

“AEON Delight (China)”	AEON Delight (China) Co., Ltd., a company with limited liability established under the laws of the PRC and an indirect non-wholly-owned subsidiary of AEON
“AEON Delight Group”	AEON Delight, together with its PRC incorporated subsidiaries, related and affiliate corporations
“Board”	the board of Directors
“Cap”	the maximum aggregate amount of fees and expenses payable to the AEON Delight Group by the Group pursuant to the Master Services Agreement in each of the three years ending 31 December 2021
“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”	have the same meaning as ascribed to such expression in the Listing Rules
“controlling shareholder”	have the same meaning as ascribed to such expression in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region, PRC
“Master Services Agreement”	the master service agreement entered into between the Company and AEON Delight on 11 December 2018
“PRC”	means the People’s Republic of China which for the purpose of this announcement does not include Hong Kong, Macau and Taiwan
“Previous Master Services Agreement”	the master service agreement entered into between the Company and AEON Delight (China) on 1 January 2016

“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, Macau and the PRC as may be agreed by the parties from time to time
“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, 11 December 2018

As at the date of this announcement, the Executive Directors are Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Chak Kam Yuen, Mr. Lau Chi Sum Sam and Mr. Keiji Tsukahara; the Non-executive Director is Mr. Akinori Yamashita; 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.