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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 TRADEMARK LICENCE AGREEMENT

The Board is pleased to announce that on 31 December 2018, the Company and TopV entered into the Master Trademark Licence Agreement in respect of the granting of the licence to use the TopValu Trademarks and the related ancillary services to be provided by the TopV Group.

The term of the Master Trademark Licence Agreement shall commence on 1 January 2019 for a period of three years.

As at the date of this announcement, TopV is a connected person of the Company by virtue of being a subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Trademark Licence 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 Trademark Licence 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. BACKGROUND

The Board is pleased to announce that on 31 December 2018, the Company and TopV entered into the Master Trademark Licence Agreement in respect of the granting of the licence to use the TopValu Trademarks and the related ancillary services to be provided by the TopV Group.

2. THE MASTER TRADEMARK LICENCE AGREEMENT

The principal terms of the Master Trademark Licence Agreement are as follows:

Date

31 December 2018

Parties

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

Nature of transactions

TopV agrees to (i) grant (and/or procure other members of the TopV Group to grant) to members of the Group the licence to use the TopValu Trademarks and (ii) provide (and/or procure other members of the TopV Group to provide) the ancillary services to the members of the Group on the terms set out in the Master Trademark Licence Agreement. Such terms shall be on normal commercial terms, on an arm's length basis and on comparable terms to which the members of the Group would procure such services from Independent Third Parties, or to which members of the TopV Group provides such services to other parties.

Licence fee

In consideration to the grant of the licence to use the TopValu Trademarks and the ancillary services set out below, the relevant member of the Group shall pay to the relevant member of the TopV Group a licence fee equivalent to 7% of the amount of purchase costs of the TopV Products (excluding any value added tax or other tax or freight expenses) supplied by manufacturers or suppliers to the Group. A default interest of 1% per annum on any overdue amount shall be payable for the period from the original due date to the date of payment in full.

Trademarks licence

Pursuant to the Master Trademark Licence Agreement, the Group shall be granted the non-exclusive right and licence to use the TopValu Trademarks in the Territory for the purpose of or in connection with the Business, including but not limited to applying or otherwise using the TopValu Trademarks (or procuring the TopValu Trademarks to be applied) on the products supplied by manufacturers or suppliers to the Group and the marketing, sale and promotional materials in connection with the Business.

Members of the TopV Group shall enter into specific licencing agreements with the relevant members of the Group, which adopt the terms and conditions set out in the Master Trademark Licence Agreement and sets out the detailed terms, including but not limited to the arrangements relating to payment of the licence fee.

Ancillary services and control

In addition to the granting of the licences to use the TopValu Trademarks, the TopV Group shall provide to the Group ancillary services and shall be entitled to exercise control including the following:

- (i) conduct market research, planning and development of products;
- (ii) establish product specifications;
- (iii) provide to members of the Group with information on product specifications, product cost and related expenses;

- (iv) manage production and conduct quality control on products;
- (v) provide information on promotion; and
- (vi) any other services in connection with the above.

The Group shall obtain prior written approval from the relevant members of the TopV Group before outsourcing to any third party the manufacturing of the TopV Products. Other than consumers, the Group shall not sell the TopV Products to any third party other than those designated by the TopV Group.

Term

The term of the Master Trademark Licence Agreement shall commence on 1 January 2019 for a period of three (3) years expiring on 31 December 2021, unless terminated earlier in accordance with the terms of the Master Trademark Licence Agreement. Subject to compliance with the Listing Rules, the Company and TopV may renew the Master Trademark Licence Agreement.

Termination

The Master Trademark Licence Agreement may be terminated by a party by ninety (90) days' prior written notice to the other party. On termination, any accrued rights and obligations of the parties under the Master Trademark Licence Agreement shall not be affected.

3. THE CAP AMOUNT

The Directors estimate that the Cap for each of the three financial years ending on 31 December 2021 shall be as follows:

Financial Year	Cap <i>(HK\$ million)</i>
1 January 2019 to 31 December 2019	20
1 January 2020 to 31 December 2020	28
1 January 2021 to 31 December 2021	38

In arriving at the Cap, the Directors have taken into account various factors including the historical amount of the Group's purchase of products which bear the TopValu Trademarks, the historical growth in the retail business of the Group, the expected growth of the Group's business and the expected volume and costs of the Group's purchase of products which bear the Topvalu Trademarks in the coming three years, buffer to allow flexibility for the further increase of the purchase in the coming three years depending on the Group's business expansion plans and operational needs from time to time, and the possibility of appreciation of the RMB.

4. REASONS FOR AND BENEFITS OF THE MASTER TRADEMARK LICENCE AGREEMENT

The Directors consider that the TopValu Trademarks, which are well known in Hong Kong and the PRC, are essential to the operations and success of the Group. With reference to the Company's circular dated 4 June 2016, the Group had previously purchased products from subsidiaries of TopV, TopV HK and TopV China, pursuant to the TopV Master Purchase Agreement. Under the TopV Master Purchase Agreement, the Company purchased both merchandise bearing TopValu Trademarks and others which do not. As the TopV Master Purchase Agreement will expire on 31 December 2018, and for the reasons discussed below, the Directors consider it to be in the best interest of the Company to obtain the licences to use the TopValu Trademarks through the Master Trademark Licence Agreement and to purchase the other products directly from their manufacturers or suppliers, all of which are Independent Third Parties, instead of renewing the TopV Master Purchase Agreement.

The Directors consider that obtaining the licences to use the TopValu Trademarks by the Group on its TopV Products would enable the Group to have better control on the selections of its products as well as its manufacturers and suppliers as it will enable the Group to initiate product development and purchase orders based on its needs and targeted market in the Territory. As the Group will be working directly with its manufacturers and suppliers on the purchase orders, the Group will be able to build and expand on relationships with its manufacturers and suppliers. As a result, the Group may have better control and savings on the merchandise costs of the TopV Products and be able to further its business development in Hong Kong and the PRC.

The terms of the Master Trademark Licence Agreement have been reached after arm's length negotiations between the Company and TopV. The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the Master Trademark Licence Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Master Trademark Licence Agreement are on normal commercial terms; and (iii) the terms of the Master Trademark Licence 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 Trademark Licence 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 Trademark Licence Agreement and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, TopV is a connected person of the Company by virtue of being a subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Master Trademark Licence 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 Trademark Licence 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.

6. INFORMATION ABOUT THE PARTIES

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

TopV is principally engaged in the development, procurement and supply of a variety of merchandise, including fashion, household and food items.

7. DEFINITIONS

In this announcement, the following expressions have the following meanings 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
“Board”	the board of Directors
“Business”	the business of procuring and selling merchandise (including but not limited to fashion, food, and household products) to retail customers in the general merchandise stores and supermarket stores operated by the Group in Hong Kong and the PRC
“Cap”	the maximum amounts payable by the Group to TopV pursuant to the Master Trademark Licence Agreement in each of the three financial years ending on 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”	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

“Macau”	the Macau Special Administrative Region, PRC
“Master Trademark Licence Agreement”	the master trademark licence agreement entered into between the Company and TopV on 31 December 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Hong Kong and the PRC
“TopV”	AEON TopValu Co., Ltd., a company incorporated in Japan with limited liability
“TopV China”	AEON Topvalu China Co., Ltd, a company established in the PRC and a subsidiary of TopV
“TopV Group”	TopV and its subsidiaries
“TopV HK”	AEON Topvalu (Hong Kong) Co., Ltd, a company incorporated in Hong Kong and a subsidiary of TopV
“TopV Master Purchase Agreement”	the master purchase agreement entered into between the Company, TopV HK and TopV China on 31 March 2016
“TopV Products”	the products which are developed as AEON Co and its subsidiaries’ private brand merchandises and bear one or more TopValu Trademarks
“TopValu Trademarks”	trademarks and logos owned by AEON Co and licenced to members of the Group from time to time pursuant to the Master Trademark Licence Agreement

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

Hong Kong, 31 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.