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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 TRANSACTION IN RELATION TO THE MANAGEMENT AGREEMENT

The Board is pleased to announce that on 29 January 2019, AEON GD (a subsidiary of the Company) and AEON Mall BM entered into the Management Agreement to govern certain transactions in respect of AEON GD's lease of the Premises.

As at the date of this announcement, AEON Mall BM is a connected person of the Company by virtue of its being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Management Agreement constitute continuing connected transaction 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 Management Agreement are subject to annual review and the applicable disclosure requirements and are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

AEON GD (a subsidiary of the Company) and the Landlord, an Independent Third Party, entered into a tenancy agreement on 11 April 2018 in respect of the Premises in the Jinsha Mall. Based on the information available to the Directors, the Directors understand that AEON Mall BM has been appointed by the Landlord as property manager to manage the operation of the Jinsha Mall. On 29 January 2019, AEON GD entered into the Management Agreement with AEON Mall BM in respect of the management of the Premises and payment of related fees.

2. THE MANAGEMENT AGREEMENT

Date

29 January 2019

Parties

- (i) AEON GD; and
- (ii) AEON Mall BM.

Term

The term of the Management Agreement shall commence from 1 February 2019 and end on 31 January 2022.

Nature of transactions

Utilities Expenses

Utilities expenses incurred by AEON GD in the Premises, comprising water and electricity expenses, shall be determined with reference to the actual usage of AEON GD and local municipal standard rates for electricity charges and water charges and shall be payable by AEON GD. Expenses incurred for use of lifts and escalators within the area leased by AEON GD shall be payable by AEON GD. Expenses incurred for use of lifts and escalators located in areas which exceed the Premises shall be payable by AEON GD on a pro rata basis based on area leased by AEON GD.

AEON GD shall pay the utility expenses to AEON Mall BM within 10 working days after receipt of the relevant invoice.

3. THE CAP AMOUNT

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

Financial Year/Period	Cap <i>(RMB millions)</i>
1 February to 31 December 2019	4.76
1 January to 31 December 2020	5.20
1 January to 31 December 2021	5.20
1 January to 31 January 2022	0.44

In arriving at the Cap, the Directors have taken into account the amount of utilities expenses and facilities maintenance expenses estimated with reference to operations in similar stores operated by AEON GD, and the expected business growth of AEON GD.

4. REASONS FOR AND BENEFITS OF THE MANAGEMENT AGREEMENT

Based on information available to the Directors, the Directors understand that AEON Mall BM has been appointed by the Landlord as the property manager to manage the operation of the Jinsha Mall and shall pay the utilities expenses incurred in the Jinsha Mall to the utility suppliers on behalf of the Landlord. The amounts payable by AEON GD to AEON Mall BM pursuant to the Management Agreement represent AEON GD's proportionate contribution to such expenses, which will be subsequently paid by AEON Mall BM to the utility suppliers. The rates for utilities expenses are local municipal standard rates and are no less favourable than those applicable to other tenants of the Jinsha Mall.

The terms of the Management Agreement have been reached after arm's length negotiations between AEON GD and AEON Mall BM. Accordingly, the Directors (including the independent non-executive Directors) are of the opinion that:

- (1) the transactions under the Management Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and
- (2) such transactions 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 Management Agreement, Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Keiji Tsukahara and Mr. Akinori Yamashita were regarded as potentially having a material interest in the Management Agreement and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, AEON Mall BM is a connected person of the Company by virtue of its being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Management Agreement constitute continuing connected transaction 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 Management Agreement are subject to annual review and the applicable disclosure requirements 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 retail stores in Hong Kong and the PRC.

AEON Mall BM is principally engaged in business management including but not limited to property leasing management business.

7. DEFINITIONS

In this announcement, the following terms 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
“AEON GD”	廣東永旺天河城商業有限公司 (Guangdong AEON Teem Stores Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“AEON Mall BM”	永旺夢樂城（廣州白雲）商業管理有限公司, a company incorporated in the PRC and an indirect subsidiary of AEON Co.
“Board”	the board of Directors
“Cap”	the maximum amounts payable by AEON GD to AEON Mall BM pursuant to the Management Agreement
“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 transaction”	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
“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
“Jinsha Mall”	永旺夢樂城廣州金沙購物中心, the commercial property owned by the Landlord in Jinshazhou, Baiyun District, Guangzhou, PRC, a part of which is leased to AEON GD
“Landlord”	廣州市金沙洲商業中心經營管理有限公司, the landlord of the Premises and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Management Agreement”	the management agreement entered into between AEON GD and AEON Mall BM on 29 January 2019
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Premises”	Shop No.43, located in the Jinsha Mall
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 29 January 2019

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.