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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
REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
RENEWAL IT MASTER AGREEMENT**

Reference is made to the announcement of the Company dated 31 July 2020 in relation to the Renewal IT Master Agreement entered into between the Company and ADMC in respect of the provision of Services by ADMC.

In view of the increase of the Groups business needs for the Services, the Original Annual Caps are expected to be insufficient. The Directors expect that the Original Annual Caps will be exceeded and therefore revised the Original Annual Caps.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Revised Annual Caps in respect of the Renewal IT Master Agreement exceed 0.1% but are below 5%, the transactions under the Renewal IT Master Agreement are subject to annual review and the applicable disclosure requirements under Chapter 14A of the Listing Rules but are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 31 July 2020 in relation to the Renewal IT Master Agreement entered into between the Company and ADMC in respect of the provision of Services by ADMC.

Pursuant to the Renewal IT Master Agreement, ADMC provides the Services including the development, operation and maintenance of the Group's information technology systems in Hong Kong and PRC and the Group pays service fees to ADMC in respect of the Services provided under the Renewal IT Master Agreement.

The Renewal IT Master Agreement has a term of three (3) years, commencing on 30 August 2020 and ending on 29 August 2023. The key terms of the Renewal IT Master Agreement and the Original Annual Caps as set out by the Company were disclosed in the Company's announcement dated 31 July 2020.

2. REVISION OF ANNUAL CAPS

The historical amounts of the transactions between the Group and ADMC for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020 were approximately RMB14.9 million, RMB21.1 million and RMB16.3 million respectively. As at the date of this announcement, the Original Annual Caps have not been exceeded.

In view of the increase of the Groups business needs for the Services, the Original Annual Caps are expected to be insufficient and the Directors have therefore revised the Original Annual Caps as follows:

Financial Year/Period	Original Annual Caps	Revised Annual Caps
30/8/2020 to 31/12/2020	RMB6.1 million	RMB7.3million
1/1/2021 to 31/12/2021	RMB18.0 million	RMB21.6million
1/1/2022 to 31/12/2022	RMB18.0 million	RMB21.6million
1/1/2023 to 29/8/2023	RMB11.9 million	RMB14.3million

The Revised Annual Caps have been determined with reference to the historical transaction amounts under the Renewal IT Master Agreement, anticipated increase in the Group's business needs for the Services and the expected future IT related system development and services required by the Group.

Notwithstanding the revision of the Original Annual Caps, all the terms and conditions of the Renewal IT Master Agreement remain unchanged.

3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Renewal IT Master Agreement was entered into to help the Group enhance the information technology system, increase operational efficiencies and reduce costs incurred. It will also enhance the Group's services to customers and improve customers' shopping experiences with the Group.

The Directors have been carefully monitoring the historical transacted amounts and estimated transaction amounts under the Renewal IT Master Agreement. In view of the increase of the Groups business needs for the Services, the Directors expect that the Original Annual Caps will be exceeded and therefore revised the Original Annual Caps.

The Directors, including the independent non-executive Directors, consider that (i) the entering into of the Renewal IT Master Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Renewal IT Master Agreement (including the Revised Annual Caps) are on normal commercial terms; and (iii) the terms of the Renewal IT Master Agreement and the Revised Annual Caps 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 Renewal IT Master Agreement, Ms. Yuki Habu, Mr. Isei Nakagawa, Mr. Takenori Nagashima, Mr. Shinya Hisanaga and Mr. Akinori Yamashita were regarded as potentially having a material interest in the Renewal IT Master Agreement and accordingly abstained from voting on the relevant resolutions.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement, ADMC 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 Renewal 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 for the Revised Annual Caps in respect of the Renewal IT Master Agreement exceed 0.1% but are below 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.

5. INFORMATION ABOUT THE PARTIES

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

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

6. DEFINITIONS

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

“ADMC”	AEON Digital Management Center* 永旺數字科技 有限公司 (formerly known as AEON Integrated Business Service China Co., Limited*, AEON
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	信息系统集成（杭州）有限公司), a company registered in the PRC and a subsidiary of AEON Co
“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
“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
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Caps”	the annual caps in respect of the Renewal IT Master Agreement for the three years ending 29 August 2023, as disclosed in the announcement of the Company dated 31 July 2020
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Renewal IT Master	The new master agreement entered into between the

Agreement”	Company and ADMC on 31 July 2020
“Revised Annual Caps”	the revised annual caps in respect of the Renewal IT Master Agreement for the three years ending 29 August 2023, as set out on page 2 of this announcement
“Services”	services to be provided by ADMC under the Renewal 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
AEON Stores (Hong Kong) Co., Limited
Yuki HABU
Chairman

Hong Kong, 4 December 2020

As at the date of this announcement, the Executive Directors are Mr. Isei Nakagawa, Mr. Chak Kam Yuen, Mr. Lau Chi Sum Sam, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Ms. Yuki Habu and 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.