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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 MASTER AGREEMENT

The Board wishes to announce that on 7 November 2017, AEON GD (a subsidiary of the Company) and AEON Mall BM entered into the Master Agreement to govern certain transactions arising out 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 it being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the 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

AEON GD (a subsidiary of the Company) and the Landlord, an Independent Third Party, entered into a tenancy agreement on 19 May 2017 in respect of the Premises, which forms part of the Dali Mall, for 20 years from 19 December 2017. The remaining premises at the Dali Mall has been leased to AEON Mall BM.

The Board wishes to announce that on 7 November 2017, AEON GD and AEON Mall BM, a connected person of the Company, entered into the Master Agreement to govern certain transactions arising out of AEON GD's lease of the Premises.

2. THE MASTER AGREEMENT

Date

7 November 2017

Parties

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

Nature of transactions

Utilities expenses

Utilities expenses, comprising water and electricity charges, shall be payable by AEON GD to AEON Mall BM. The amount of electricity charges payable by AEON GD shall be determined based on the actual usage of AEON GD (as indicated on the relevant metres) and local municipal standard rates for electricity charges. The amount of water charges payable by AEON GD shall be determined based on the actual usage and local municipal standard rates for water charges.

AEON GD shall make payment of the utilities expenses within ten (10) Business Days of receipt of a payment invoice from AEON Mall BM. AEON Mall BM shall pay the amounts received on behalf of AEON GD to relevant local authorities.

Property Management

From the Business Commencement Date, monthly property management fees shall be payable by AEON GD to AEON Mall BM and shall cover, among other things, (i) cleaning fees in respect of public areas within the Dali Mall; (ii) cleaning and maintenance fees in respect of public facilities within the Dali Mall; (iii) afforestation fees in respect of public areas within the Dali Mall; and (iv) fees for the maintenance of safety and security in public areas and carpark of the Dali Mall. A fixed rate of RMB10 (tax inclusive) per square metre of the Premises shall apply towards the calculation of the property management fees payable by AEON GD.

Payment of the property management fees by AEON GD to AEON Mall BM shall be made before the 10th day of each month and upon receipt of payment, AEON Mall BM shall issue a relevant VAT invoice to AEON GD before the 15th day of that month.

AEON GD, AEON Mall BM and the Property Management Company shall enter into a property management agreement within six (6) months of the date of the tenancy agreement between AEON GD and the Landlord in respect of the Premises. Under such property management agreement, AEON GD may pay its monthly property management fees directly to the Property Management Company instead of AEON Mall BM. AEON Mall BM shall pay the amounts received on behalf of AEON GD to the Property Management Company.

Promotional activities

The costs in respect of tree planting promotional activities prior to the Business Commencement Date shall be borne by AEON Mall BM and AEON GD in equal shares of 50% each.

Term

The term of the Master Agreement is from 19 December 2017 to 18 December 2020.

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>
19 December 2017 to 31 December 2017	1.20
1 January 2018 to 31 December 2018	7.26
1 January 2019 to 31 December 2019	7.26
1 January 2020 to 18 December 2020	7.00

In arriving at the Cap, the Directors have taken into account the amount of utilities expenses, property management fees and fees and promotional activities estimated to be payable by AEON GD with reference to operations and consumptions in similar stores operated by AEON GD, business growth, number and nature of AEON GD's tenants.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Based on information available to the Directors, the Directors understand that AEON Mall BM, as head tenant, is responsible for making payment of utilities expenses and property management fees in respect of the entire Dali Mall. Such amounts paid by AEON GD to AEON Mall BM pursuant to the Master Agreement represent AEON GD's proportionate contribution to such expenses and fees, which will then be paid by AEON Mall BM to relevant authorities or parties on behalf of AEON GD. The rates for utilities expenses and property management fees are no less favourable than those applicable to AEON Mall BM or its other tenants. The Directors further consider that the tree planting promotional activities will bring marketing benefits and enhance the awareness and publicity of the store to be opened by AEON GD at the Premises.

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

- (1) the transactions under the Master 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 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 Master 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 it being an indirect subsidiary of AEON Co, the controlling shareholder of the Company. Accordingly, the transactions contemplated under the 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 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 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
“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(佛山南海)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 of the Company
“Business Commencement Date”	the date on which AEON GD commences its operations at the Premises, which is expected to be 19 December 2017
“Cap”	the maximum amounts payable by AEON GD to AEON Mall pursuant to the 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
“Dali Mall”	the premises at 佛山市南海區大瀝鎮聯滘滘口路13號
“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 of the Company in accordance with the Listing Rules
“Landlord”	佛山市助力企業管理服務有限公司, the landlord of the Premises and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement entered into between AEON GD and AEON Mall on 7 November 2017
“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”	the premises at 佛山市南海區大瀝鎮聯滘滘口路13號負一層店號0001，一層店號1001，二層店號2001，三層店號3001
“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, 7 November 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.