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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 CONSULTANCY SERVICES AGREEMENTS**

Reference is made to the announcement of the Company dated 29 March 2016 in relation to the Previous Consultancy Services Agreements. The Previous Consultancy Services Agreements expired on 31 December 2018.

The Board is pleased to announce that on 16 January 2019, each of the Company, AEON GD and ASC entered into the Consultancy Services Agreements with AEON China on substantially the same terms as the Previous Consultancy Services Agreements. The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2019.

As at the date of this announcement, AEON China is a subsidiary of AEON Co, the controlling shareholder of the Company and therefore a connected person of the Company. Each of AEON GD and ASC is a subsidiary of the Company. Accordingly, the transactions contemplated under the Consultancy Services Agreements 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 Consultancy Services Agreements 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 announcement of the Company dated 29 March 2016 in relation to the Previous Consultancy Services Agreements. The Previous Consultancy Services Agreements expired on 31 December 2018.

The Board is pleased to announce that on 16 January 2019, each of the Company, AEON GD and ASC (each a “**Recipient Company**”) entered into a Consultancy Services Agreement with AEON China, pursuant to which each of the Company, AEON GD and ASC shall pay a service fee for the provision of consultancy services by AEON China in relation to the improvement of activities relevant to the general merchandise stores and supermarket stores business of the Group in Hong Kong and the PRC.

AEON China has also entered into consultancy services agreements with four subsidiaries of AEON Co on substantially the same terms as the Consultancy Services Agreements.

## **2. THE CONSULTANCY SERVICES AGREEMENTS**

The terms of each Consultancy Services Agreement are substantially the same, details of which are set out below:

### **Date**

16 January 2019

### **Parties**

- (a) AEON China; and
- (b) each of the Recipient Companies.

### **Nature of transactions**

Subsequent to the expiry of the Previous Consultancy Services Agreements, each Recipient Company agrees to continue to obtain from AEON China and AEON China agrees to continue to provide to each Recipient Company certain consultancy services for their business operations in Hong Kong and the PRC on the terms set out in the Consultancy Services Agreements. 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 the AEON China provides such services to other parties.

### **Fees**

AEON China shall provide consultancy services to seven AEON group companies, including the Company, AEON GD, ASC and four subsidiaries of AEON Co. AEON China’s service fees shall be charged on a cost-plus basis, representing its total costs of providing consultancy services to the seven companies, plus 5% of such costs. The service fee payable by each Recipient Company (the “**Service Fee**”) shall be a portion of such total amount, determined with reference to its number of stores that received such consultancy services during the relevant period, together with related taxes.

The service fee payable by (i) the Company and (ii) each of AEON GD and ASC is subject to an annual maximum fee of (i) 0.15% and (ii) 0.20% of its respective audited total sales amount (as defined in each Consultancy Services Agreement) for that financial year.

## **Payment**

The Service Fee shall be payable by each Recipient Company to AEON China quarterly during the term of a Consultancy Services Agreement. AEON China shall provide each Recipient Company with a notice of payment, together with the basis of calculation of the Service Fee (including AEON China's total costs of providing consultancy services to the seven AEON group companies and the number of each Recipient Company's stores that received such consultancy services during the relevant period).

After receipt of such notice and calculation basis, each Recipient Company shall have a period of one month to review the calculation basis and request for corrections in the event that any error is identified. The Recipient Company shall make payment of the Service Fee within 15 days upon its confirmation of the calculation basis and receipt of a relevant VAT invoice from AEON China. In any event, each Recipient Company shall have the right to, within one month of payment, request for verification of the calculation basis of amounts paid and request for appropriate adjustments to be made (to be reflected in the next notice of payment) if any error is identified.

## **Consultancy Services**

Pursuant to the Consultancy Services Agreements, the scope of consultancy services to be provided by AEON China to each Recipient Company relates to the following:

- (a) operational logistics: assistance with the formulation and revision of a Recipient Company's health and safety manual, quality management manual, customer service manual and architectural design standards, in order to increase the operational efficiency of such Recipient Company;
- (b) establishment of operating systems: in accordance with a Recipient Company's requests and relevant circumstances, provision of technical support for the development and maintenance of its operating systems, such as those relating to product classification, inventory replenishment, sales records and accounting;
- (c) procurement activities: in accordance with information (relating to order amounts and product types) provided by a Recipient Company, assistance with negotiation of price with the relevant suppliers;
- (d) market development: in accordance with a Recipient Company's requests, conduct necessary market research and advise on marketing and promotional strategies to assist such Recipient Company with developing new markets in a more efficient manner;
- (e) staff training: training in relation to business operation, technical skills and compliance, etc.; and
- (f) in accordance with specific requests of a Recipient Company, provide other consultancy services on production or operational related matters.

## Term

The term of the Consultancy Services Agreements shall be for a period of three years commencing from 1 January 2019 and expiring on 31 December 2021, provided that each Consultancy Services Agreement shall continue to be of effect for a further three year period (and for each successive three year period) if the parties so agree and that the continuation for a further three year period shall be subject to compliance with the Listing Rules.

## Confidentiality

AEON China is required to, among other things, keep all information obtained from a Recipient Company as a result of entering into the Consultancy Services Agreements confidential.

### 3. THE CAP AMOUNT

#### Historical figures

The historical transaction amounts in respect of the Previous Consultancy Services Agreements for the two years ended 31 December 2017 and the six months ended 30 June 2018 were as follows:

<b>Period</b>	<b>Annual cap <i>HK\$ million</i></b>	<b>Fees payable by the Recipient Companies to AEON China under the Previous Consultancy Services Agreements <i>HK\$ million</i></b>
Year ended 31 December 2016	46	11.9
Year ended 31 December 2017	46	10.9
Six months ended 30 June 2018	46	5.4

#### 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:

<b>Financial Year</b>	<b>Cap <i>(HK\$ million)</i></b>
1 January 2019 to 31 December 2019	30
1 January 2020 to 31 December 2020	33
1 January 2021 to 31 December 2021	37

In arriving at the Cap, the Directors have taken into account various factors including the annual maximum fee referred to above, the expected business growth of the Group and the historical figures of the fees payable by the Recipient Companies to AEON China under the Previous Consultancy Services Agreements for the two years ended 31 December 2017 and the six months ended 30 June 2018.

#### **4. REASONS FOR AND BENEFITS OF THE CONSULTANCY SERVICES AGREEMENTS**

AEON Co is a company listed on the Tokyo Stock Exchange, whose subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, specialty stores, the development of shopping centres as well as service and other operations in Japan and other Asian countries. In addition to having the skills and experience of the AEON Co group in relation to the Japanese retail industry, AEON China has also developed specific skills and experience in relation to the PRC retail industry through its research and analyses. The Company therefore believes that the renewal entering into of the Consultancy Services Agreements will allow the Group to leverage the expertise of AEON China, thereby enhancing its operations, procurement activities and market development.

The terms of the Consultancy Services Agreements have been reached after arm's length negotiations between the Company and the Adviser. The Directors (including the independent non-executive Directors) are of the view that (i) entering into of the Consultancy Services Agreements is in the ordinary and usual course of business of the Group; (ii) the terms of the Consultancy Services Agreements are on normal commercial terms; and (iii) the terms of the Consultancy Services Agreements 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 Consultancy Services Agreements, Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Keiji Tsukahara and Mr. Akinori Yamashita were regarded as potentially having a material interest in the Consultancy Services Agreements and accordingly abstained from voting on the relevant resolutions.

#### **5. LISTING RULES IMPLICATIONS**

As at the date of this announcement, AEON China is a subsidiary of AEON Co, the controlling shareholder of the Company and therefore a connected person of the Company. Each of AEON GD and ASC is a subsidiary of the Company. Accordingly, the transactions contemplated under the Consultancy Services Agreements 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 Consultancy Services Agreements 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 PRC.

AEON China is principally engaged in, among others, the provision of consultancy services, technical support and training in relation to matters such as product manufacturing, sales, market development and procurement.

## 7. DEFINITIONS

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

“AEON China”	永旺（中國）投資有限公司 (AEON (China) Investment Co., Ltd.), a company incorporated in the PRC and wholly owned by AEON Co
“AEON Co”	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 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
“ASC”	永旺華南商業有限公司 (AEON South China Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Cap”	the maximum aggregate annual amount payable by the Group to AEON China pursuant to the Consultancy Services Agreements for 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”	has the meaning ascribed thereto under the Listing Rules
“Consultancy Services Agreement(s)”	the consultancy services agreement(s) dated 16 January 2019 entered into between AEON China and each of the Company, AEON GD and ASC respectively, each supplemented by an agreement dated 16 January 2019 between the same respective parties
“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
“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, Macao Special Administrative Region and Taiwan
“Previous Consultancy Services Agreements”	the consultancy services agreements entered into between AEON China and each of the Company, AEON GD and ASC respectively on 29 March 2016, each supplemented by an agreement dated 29 March 2016 between the same respective parties
“Recipient Company”	each of the Company, AEON GD and ASC
“Service Fee”	the service fee payable by each Recipient Company pursuant to the respective Consultancy Service Agreement
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	Value Added Tax

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

Hong Kong, 16 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.*