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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

The Board is pleased to announce that on 29 March 2016, each of the Company, AEON GD and ASC 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.

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 each Consultancy Services Agreement constitute 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 Aggregate Annual Cap for the Consultancy Services Agreements will (on an aggregated basis) be 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on 29 March 2016, 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. TERMS OF THE CONSULTANCY SERVICES AGREEMENTS

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

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:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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; and
- (v) in accordance with specific requests of a Recipient Company, provide other consultancy services on production or operational related matters.

Term

The term of each Consultancy Services Agreement shall be a period of three years ending 31 December 2018, 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. Each Consultancy Services Agreement shall take effect as of 1 January 2016.

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 a maximum annual cap 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 every six months 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 two months 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.

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

As all the continuing connected transactions contemplated under each Consultancy Services Agreement are entered into with the same connected person, AEON China, and of the same nature, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

The Aggregate Annual Cap for each of the three years ended 31 December 2018 shall be HK\$46 million. In arriving at the Aggregate Annual Cap, the Directors have taken into account various factors including the historical audited total sales amount of each Recipient Company and the expected business growth of the Group.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

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 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 relevant parties. The Directors (including the independent non-executive Directors) are of the view that (i) the 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 Aggregate Annual 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 Agreement, Ms. Chan Pui Man, Christine, Mr. Yoshiaki Mizushima, Mr. Hideaki Yajima, Ms. Yuki Habu and Mr. Shinya Wako were regarded as potentially having a material interest in the Consultancy Services Agreements and accordingly abstained from voting on the relevant resolutions.

5. INFORMATION ON THE PARTIES

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

6. 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 each Consultancy Services Agreement constitute 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 Aggregate Annual Cap for the Consultancy Services Agreements will (on an aggregated basis) be 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below 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
“Aggregate Annual 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 2018
“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 of the Company
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the issued 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
“Consultancy Services Agreement(s)”	the consultancy services agreement(s) dated 29 March 2016 entered into between AEON China and each of the Company, AEON GD and ASC respectively, each supplemented by an agreement dated 29 March 2016 between the same respective parties
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors 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
“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 only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Recipient Company”	each of the Company, AEON GD and ASC
“Shares”	shares of the Company
“Shareholder(s)”	registered holders of the Shares from time to time

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
Chan Pui Man, Christine
Managing Director

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Ms. Chan Pui Man, Christine, Mr. Yoshiaki Mizushima, Mr. Hideaki Yajima and Mr. Chak Kam Yuen; the non-executive Directors are Ms. Yuki Habu and Mr. Shinya Wako; and the independent non-executive Directors are Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong.