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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 IT MASTER AGREEMENT

The Board is pleased to announce that on 31 July 2020, the Company and ADMC entered into the Renewed IT Master Agreement in relation to the provision of the Services.

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 Renewed 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 in respect of the Cap 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 but are exempt from the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

The Board is pleased to announce that on 31 July 2020, the Company and ADMC entered into the Renewed IT Master Agreement in relation to the provision of the Services.

2. TERMS OF THE RENEWED IT MASTER AGREEMENT

Date

31 July 2020

Parties

the Company and ADMC

Nature of transactions

Where ADMC is willing to provide and the Member(s) is/are willing to engage ADMC for the relevant Services, the relevant parties shall enter into a Service Contract setting out the detailed terms (e.g. payment terms) under which ADMC shall provide the relevant Services to the relevant Member(s). Such terms shall be on normal commercial terms, on an arm's length basis and on comparable terms to which the Members procure such services from Independent Third Parties, or to which ADMC provides such services to other Users. The Service Contracts shall also adopt the terms and conditions set out in the Renewed IT Master Agreement and the standard terms and conditions of the relevant Member prevailing at the time of execution of such Contract.

Pricing

The fees for the provision of Services by ADMC shall be charged on a cost-plus basis, representing the Actual Costs plus a mark-up rate of not more than 10%. Notwithstanding the foregoing, a mark-up rate of not more than 5% will apply in respect of Actual Costs which consist solely of personnel expenses of ADMC. Subject to compliance with the Listing Rules, the parties to the Renewed IT Master Agreement may review and amend such mark-up rates on an annual basis by mutual consent.

In respect of a Service Contract, where the Actual Costs are incurred by ADMC solely and exclusively for a Member, such Actual Costs shall be applied directly for calculation of the fees payable. If this is not the case, the Actual Costs shall be apportioned and allocated by ADMC among all Users that derive benefit from such Actual Costs, in accordance with the following principles:

- i) where all Users are using the full functionality of Services derived from certain Actual Costs, such Actual Costs shall be apportioned among the Users in equal shares;
- ii) where the level of usage of the Services derived from certain Actual Costs vary between the Users, such Actual Costs shall be apportioned among the Users with reference to the actual usage of each User;
- iii) where the Actual Costs relate to the number of hardware, licenses and/or system login users, such Actual Costs shall be apportioned among the Users in accordance with their respective number of hardware, licenses and/or system login users; and
- iv) where the Actual Cost relate to usage and maintenance, such Actual Costs shall be apportioned with reference to the level of usage (if readily available) or, as may be appropriate in the circumstances, to the number of transactions or sales turnover, or the number of licenses, machines and/or system login users incidental to and/or arising out of such Actual Costs.

The prices offered by ADMC shall be no less favourable than (i) prices available in the market for the same or similar services and (ii) the prices offered by ADMC to its other Users, if any.

Rebates

ADMC may, taking into account factors such as volume of usage, promotions from manufacturers, its budget, results and profits, grant rebates to the Member(s) (as agreed mutually between the relevant parties) from time to time.

Further Assistance

The Members shall have the right to audit, cross-check and verify the books, records, financial practice, business and operational flow and practice, electronic/computer system(s) of ADMC, including all information and documents relating to the direct and indirect costs incurred by ADMC in support of the billing of the Services, and to audit and monitor the performance by ADMC of its obligations under the Service Contracts.

Term

The Renewed IT Master Agreement has a term of three (3) years commencing on 30 August 2020 and ending on 29 August 2023, provided that the Company and ADMC may, subject to compliance with the Listing Rules, renew the Renewed IT Master Agreement.

Termination

The Renewed IT Master Agreement may be terminated by three (3) month's prior written notice by either the Company or ADMC. On termination, each Service Contract then in force shall nevertheless continue in full force and effect for the remainder of the term of such Service Contract, unless terminated in accordance with the terms of such Service Contract.

3. THE CAP AMOUNT

The historical amounts of the transactions between the Group and ADMC under the IT Master Agreement for the period from 30 August 2017 to 31 December 2017, each of the two years ended 31 December 2019 and the five months ended 31 May 2020 were approximately RMB6.4 million, RMB14.9 million, RMB21.1 million and RMB8.3 million respectively.

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

Financial Year/Period	Cap <i>RMB millions</i>
30 August 2020 to 31 December 2020	6.1
1 January 2021 to 31 December 2021	18.0
1 January 2022 to 31 December 2022	18.0
1 January 2023 to 29 August 2023	11.9

In arriving at the Cap, the Directors have taken into account various factors including the historical transaction amounts between the Group and ADMC and the expected future IT related system development and services required by the Group.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that the entering into of the Renewed IT Master Agreement will enhance the Group's information technology system as a whole, resulting in increased operational efficiencies and reduced costs incurred by the Group. It will also enhance the Group's services to customers and improve customers' shopping experiences with the Group.

The terms of the Renewed IT Master Agreement have been reached after arm's length negotiations between the Company and ADMC. The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the Renewed IT Master Agreement is in the ordinary and usual course of business of the Group; (ii) the terms of the Renewed IT Master Agreement are on normal commercial terms; and (iii) the terms of the Renewed IT Master Agreement 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 Renewed 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 interests in the Renewed IT Master Agreement and accordingly abstained from voting on the relevant resolutions.

5. 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 Renewed 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 in respect of the Cap exceed 0.1% but are below 5%, the Renewed IT Master Agreement and 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 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.

7. DEFINITIONS

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

“Actual Costs”	all costs incurred in relation to the provision of Services, including direct costs such as ADMC’s personnel expenses, external vendors’ costs, operational costs, license fees, costs in relation to equipment and/or software and other indirect or common costs allocated on an equitable basis
“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 信息系統集成(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
“Cap”	the maximum amounts payable by the Group to ADMC pursuant to the Renewed IT 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
“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
“IT Master Agreement”	The master agreement entered into between the Company and ADMC on 30 August 2017

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Member(s)”	The Company and any of its subsidiaries, each a “Member”
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Renewed IT Master Agreement”	The new master agreement entered into between the Company and ADCM on 31 July 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Service Contract”	separate agreement(s) to be entered into between any Member and ADCM in respect of the provision of such Services as may be required by any Member from time to time
“Services”	services to be provided by ADCM under the Renewed IT 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 ADCM from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“User(s)”	parties, including the Members, who are using services provided by ADCM which are the same as or similar to the Services
“%”	per cent.

* *the English names of the entities incorporated in the PRC are translation of their respective Chinese company names for the purpose of identification only*

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

Hong Kong, 31 July 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.