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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 CONNECTED TRANSACTIONS IT SYSTEM SERVICE AGREEMENT

The Board wishes to announce that on 31 December 2014, ASC and each of five New Participant Companies entered into a New Service Agreement, pursuant to which each New Participant Company shall pay (i) an Initial Fee to ASC as contribution to the Initial Costs and (ii) a Service Fee to ASC for usage of the IT System and related services provided by ASC.

As of the date of this announcement, each Participant Company is a direct or indirect subsidiary of AEON Co, the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the New Service Agreements 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 for payment of the Initial Fees and the Service Fees under the New Service Agreements (on an aggregated basis) 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

ASC previously entered into various service agreements with the Company's subsidiary AEON GD and the Existing Participant Companies, whereby AEON GD and each Existing Participant Company paid (i) an initial fee as contribution to the Initial Costs and (ii) an annual service fee for the usage of the IT System and related services provided by ASC. As the applicable percentage ratios were (on an aggregated basis) less than 0.1%, the Existing Service Agreements were exempt from disclosure requirements under the Listing Rules.

The Initial Costs shall be reallocated upon the engagement of additional participant companies, in which case the Initial Costs shall be redistributed between each Participant Company. Each New Participant shall be required to pay an Initial Fee in accordance with a pre-determined scale (as described below). Upon the reallocation and payment by the New Participant Companies, the excess amount paid by each Existing Participant Company shall be refunded accordingly.

The Board wishes to announce that on 31 December 2014, ASC and each New Participant Company entered into a New Service Agreement, pursuant to which each New Participant Company shall pay (i) an Initial Fee to ASC as contribution to the Initial Costs and (ii) a Service Fee to ASC for usage of the IT System and related services. The terms and conditions of the New Service Agreements are substantially the same as those of the Existing Service Agreements.

2. THE NEW SERVICE AGREEMENT

Date

31 December 2014

Parties

ASC, a wholly-owned subsidiary of the Company, and each New Participant Company

Nature of transaction

Pursuant to the New Service Agreement, ASC shall:

- (i) allow each New Participant Company access to and usage of its respective data segment in the IT System;
- (ii) provide related maintenance, development and operational support services;
- (iii) employ contracted suppliers, service providers and related staff (as necessary); and
- (iv) liaise with related suppliers or service providers upon request of the New Participant Company.

Initial Fee

Each New Participant Company shall be required to pay an Initial Fee as contribution to the Initial Costs. The amount of Initial Fee shall be determined based on the business model adopted by each New Participant Company. For example, a New Participant Company that operates general merchandise stores will be given more weight and be required to pay a relatively larger amount of Initial Fee (approximately RMB2.91 million), whereas a New Participant Company that operates super markets would be given less weight and therefore be required to pay a relatively smaller amount of Initial Fee (approximately RMB1.17 million).

ASC shall provide each New Participant Company with a notice of payment and an invoice within seven days of signing of the New Service Agreement, whereas the New Participant Company shall pay the Initial Fee by way of bank transfer to ASC within 30 days of receipt of such notice of payment and invoice.

Service Fee

In consideration of the services provided by ASC under the New Service Agreement, each New Participant Company shall pay an annual Service Fee to ASC which was determined based on various factors, including but not limited to:

- (i) the business model adopted by each New Participant Company (for example, a New Participant Company that operates general merchandise stores will be given more weight and be required to pay a relatively larger amount of fees, whereas a New Participant Company that operates super markets would be given less weight and therefore be required to pay a relatively smaller amount of fees);
- (ii) the number of stores or shops under each New Participant Company which require IT support services;
- (iii) the number of users from each New Participant Company or the annual sales amount of each New Participant Company (for determination of the annual maintenance fees); and
- (iv) any specific fees incurred for additional services provided to a New Participant Company (as applicable).

Each New Service Agreement employed the same pricing basis for calculating the respective Service Fees, as is the case for each Existing Service Agreement.

Other fees

The New Service Agreement also provides for the payment of other fees, of an amount to be agreed with ASC, by the New Participant Company.

Term

The New Service Agreement has a term of three (3) years commencing on 31 December 2014 and ending on 30 December 2017, subject to early termination as governed by the terms of the New Service Agreement.

3. THE ANNUAL CAPS

The historical service fees payable by the Existing Participant Companies to ASC under the Existing Service Agreements (on an aggregated basis) for the three years ended 31 December 2013 were RMB2,754,000, RMB2,816,000 and RMB3,554,000, respectively.

The Service Fee payable by each New Participant Company to ASC under the New Service Agreement will not exceed the annual caps set out below:

Financial Year/Period	Annual Caps (RMB)
1 January 2015 to 31 December 2015	RMB4,300,000
1 January 2016 to 31 December 2016	RMB5,500,000
1 January 2017 to 30 December 2017	RMB7,100,000

The annual caps have been determined with reference to the historical service fees paid by the Existing Participant Companies as set out above, the anticipated additional number of users from the New Participant Companies, growth in business of the Participant Companies and increases in the service charges of contracted suppliers employed by ASC under the Service Agreements.

4. REASONS FOR AND BENEFITS OF THE NEW SERVICE AGREEMENTS

The Company considers that the entering into of the New Service Agreements and consequent reallocation of Initial Costs among all Participant Companies will reduce the actual amounts invested by ASC and AEON GD into the IT System, enhance efficiency within the Group and achieve better economies of scale.

The terms of the New Service Agreements have been reached after arm's length negotiations between the relevant parties. The Directors, including all the independent non-executive Directors, consider that the terms of the New Service Agreements are on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole and have been entered into in the ordinary and usual course of the business of the Group.

At a Board meeting convened to consider the New Service Agreements, Mr. Junichi Suzuki, Mr. Yoshiaki Mizushima, Mr. Yoshinori Okuno, Mr. Yutaka Agawa, Ms. Yuki Habu and Mr. Kazuhiko Yasukawa were regarded as potentially having a material interest in the New Service Agreements and accordingly abstained from voting on the relevant resolutions.

5. GENERAL

ASC is principally engaged in the operation of general merchandise stores. The Participant Companies are also principally engaged in the operation of general merchandise stores or super markets.

6. LISTING RULES IMPLICATIONS

As of the date of this announcement, each Participant Company is a direct or indirect subsidiary of AEON Co, the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the New Service Agreements 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 for payment of the Initial Fees and the Service Fees under the New Service Agreements (on an aggregated basis) 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 the Listing Rules and are exempt from shareholders' approval requirements under the 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 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 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
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing Participant Companies”	青島永旺東泰商業有限公司 (Qingdao AEON Dongtai Co., Ltd.), 永旺商業有限公司 (Beijing AEON Co., Ltd.) and 美嘉斯波(北京)商貿有限公司 (Mega Sports China Co., Ltd.) (each an “Existing Participant Company”)

“Existing Service Agreement(s)”	the IT system service agreement(s) (IT系統服務合同) entered into between ASC and each Existing Participant Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Initial Costs”	the cumulative costs of approximately RMB21 million invested by ASC into developing the IT System
“Initial Fee”	the fee payable by each Participant Company to ASC as contribution to the Initial Costs, calculated by reference to a predetermined scale based on the business model adopted by each Participant Company (for example, a Participant Company that operates general merchandise stores would bear more weight whereas a Participant Company that operates super markets would bear less weight)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Participant Companies”	永旺華東(蘇州)商業有限公司 (AEON Huadong (Suzhou) Co., Ltd), 永旺(湖北)商業有限公司 (AEON (Hubei) Co., Ltd), 永旺美思佰樂(廣州)商業有限公司 (AEON Maxvalu (Guangzhou) Co., Ltd), 永旺美思佰樂(江蘇)商業有限公司 (AEON Maxvalu (Jiansu) Co., Ltd) and 永旺美思佰樂(青島)商業有限公司 (AEON Maxvalu (Qingdao) Co., Ltd) (each a “New Participant Company”)
“New Service Agreement(s)”	the IT system service agreement(s) (IT系統服務合同) entered into between ASC and each New Participant Company on 31 December 2014
“Participant Companies”	the Existing Participant Companies and the New Participant Companies (each a “Participant Company”)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“IT System”	the IT system comprising of, <i>inter alia</i> , a merchandise system for management of orders, logistics, stock, prices; an accounting system for management of accounts, inventory, sales, tenants, payables and other systems to be developed or bought (as applicable)

“Service Agreements”	the New Service Agreements and the Existing Service Agreements
“Service Fee”	the annual service fee payable by each New Participant Company to ASC pursuant to the New Service Agreement
“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, 31 December 2014

As at the date of this announcement, the executive Directors are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki, Mr. Yoshiaki Mizushima and Mr. Chak Kam Yuen; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Yutaka Agawa, Ms. Yuki Habu and Mr. Kazuhiko Yasukawa; and the independent non-executive directors are Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna, and Ms. Chan Yi Jen Candi Anna and Ms. Lo Miu Sheung, Betty.