

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
TENANCY AGREEMENT**

Reference is made to the announcement of the Company dated 17 August 2020 in relation to the Tenancy Agreement entered into between AEON Mall as lessor and AEON GD as lessee, pursuant to which AEON Mall agreed to sub-lease the Premises to AEON GD for a term of twenty (20) years from the Handover Date.

In view of the actual business operations since store opening, the actual monthly utilities expenses and rent payable to AEON Mall have been higher than estimation made at time when the Tenancy Agreement was signed. The Original Annual Caps are expected to be insufficient. The Directors therefore revised the Original Annual Caps.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Revised Annual Caps in respect of the Tenancy Agreement 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

Reference is made to the announcement of the Company dated 17 August 2020 in relation to the Tenancy Agreement entered into between AEON Mall as lessor and AEON GD as lessee.

Pursuant to the Tenancy Agreement, AEON Mall sub-leases the Premises to AEON GD for a term of twenty (20) years from the Handover Date and for AEON GD's operation of its retail store therein. AEON GD shall pay AEON Mall rent payable according to AEON GD's sales turnover, the management fees, utilities expenses and

such other rent, usage charges and fees payable in relation to any provisional showrooms, storage areas, services, other facilities and special equipment which AEON GD may from time to time rent or employ with the consent of AEON Mall (on actual usage basis).

The Tenancy Agreement has a term of twenty (20) years, commencing on 2 November 2020 and ending on 1 November 2040. The key terms of the Tenancy Agreement and the Original Annual Caps as set out by the Company were disclosed in the Company's announcement dated 17 August 2020.

2. REVISION OF ANNUAL CAPS

There was no transaction amount prior to the Handover Date nor the business commencement by AEON GD in the Premises on 27 May 2021. Historical amounts of the transactions between AEON Mall and AEON GD for the period from 27 May 2021 to 30 September 2021 was approximately RMB1.29 million comprising monthly rent, management fees, utilities expenses and signage fees. As at the date of this announcement, the Original Annual Caps have not been exceeded.

In view of the actual business operations since store opening, the actual amounts of the utilities expenses, which are based on the actual consumption and unit costs charged by the respective utility companies, and the monthly rent, which is payable at a rate of the direct sales turnover made by AEON GD in the Premises, exceeded the amounts as previously estimated. The Original Annual Caps are expected to be insufficient and the Directors have therefore revised the Original Caps as follows:

Financial Year (1 Jan – 31 Dec)	2021	2022	2023	2024	2025	2026	2027
Original Annual Caps (RMB millions)	1.5	2.9	3.4	3.9	4.2	4.3	6.1
Revised Annual Caps(RMB millions)	3.0	6.4	6.7	7.1	7.3	7.6	9.8
Financial Year (1 Jan – 31 Dec)	2028	2029	2030	2031	2032	2033	2034
Annual Caps (RMB millions)	7.1	7.3	7.5	7.7	7.9	8.1	8.3
Revised Annual Caps(RMB millions)	10.1	10.5	10.9	11.3	11.8	12.2	12.7
Financial Year (1 Jan – 31 Dec)	2035	2036	2037	2038	2039	2040¹	
Annual Caps (RMB millions)	8.5	8.9	9.2	9.5	9.8	7.5	
Revised Annual Caps(RMB millions)	13.2	13.9	14.4	15.0	15.5	12.0	

Note: 1 from 1 Jan to expiry of Tenancy Agreement

The Revised Annual Caps have been determined with reference to the historical transaction amounts under the Tenancy Agreement, the actual business operations, the revised estimated rent payable according to AEON GD's revised estimation of the sales turnover, revised utilities expenses in line with the latest business operations and unit costs charged by the respective utilities companies, the management fees and such other rent, usage charges and fees payable in relation to any provisional showrooms, storage areas, services, other facilities and special equipment that AEON GD may from time to time rent or employ with the consent of AEON Mall (on the basis of actual usage).

Save for the revision of the Original Annual Caps to the Revised Annual Caps, all other terms and conditions under the Tenancy Agreement remain the same.

3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company considers that the location of the Premises is suitable for the opening of a new AEON store, which at the same time expands the Group's store network and coverage as a whole. The Company is also of the view that with AEON Mall being a head tenant of the Shopping Centre, both the Premises and other parts of the Shopping Centre will be operated in accordance with similar AEON standards. This should generate an integrated shopping environment and as a result, provide excellent AEON services to the Group's customers and improve customer satisfaction.

The Directors have been carefully monitoring the historical transaction amounts and estimated transaction amounts under the Tenancy Agreement. In view of the actual business operations, the Directors expect that the Original Annual Caps will be exceeded and therefore revised the Original Annual Caps.

The terms of the Tenancy Agreement are arrived at after arm's length negotiations between AEON Mall and AEON GD. Based on (i) the views of Somerley on the reasonableness of the duration of the Tenancy Agreement as stated in the Company's announcement dated 17 August 2020 and (ii) the commercial reasons set out above, the Directors (including the independent non-executive Directors) are of the opinion that:

- (1) the transactions under the Tenancy Agreement and the Revised Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group; and
- (2) such transactions and the Revised Annual Caps 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 transactions contemplated under the Tenancy Agreement and the Revised Annual Caps, Mr. Isei Nakagawa, Mr. Isao Sugarawa, Mr. Takenori Nagashima, Mr. Shinya Hisanaga, Ms. Yuki Habu, and Mr. Fukuda Makoto were regarded as potentially having a material interest in the Tenancy Agreement and accordingly abstained from voting on the relevant resolutions to approve the transactions contemplated under the Tenancy Agreement and the Revised Annual Caps.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement, AEON GD is held as to 65% by the Company. AEON Mall is an 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 Tenancy Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Revised Annual Caps in respect of the Tenancy Agreement 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.

5. INFORMATION ABOUT THE PARTIES

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

AEON Mall is principally engaged in development and leasing businesses.

6. 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”	永旺夢樂城（廣州增城）商業管理有限公司, a company incorporated in the PRC under PRC laws and an indirect subsidiary of AEON Co
“Board”	the board of Directors
“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
“Handover Date”	the Premises was handed over to AEON GD on 2 November 2020
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Caps”	the annual caps in respect of the Tenancy Agreement for each of the years ending 31 December in the period from 1 January 2021 to 31 December 2039 and the period from 1 January 2040 to expiry of Tenancy Agreement, as disclosed in the announcement of the Company dated 17 August 2020
“Premises”	中國廣東省廣州市增城區永寧街香山大道 2 號，現暫定名稱爲永旺夢樂城廣州增城購物中心 1 層，自編 1000 房號(English translation for reference: Unit 1000 (to be designated) first floor, AEON Mall – Guangzhou Zengcheng Shopping Centre, No.2 Xiangshan Road, Yongning Street, Zengcheng district, Guangzhou City, Guangdong Province, China)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“Revised Annual Caps”	the revised annual caps in respect of the Tenancy Agreement for each of the years ending 31 December in the period from 1 January 2021 to 31 December 2039 and the period from 1 January 2040 to expiry of Tenancy Agreement, as set out on page 2 of this announcement
“Shopping Centre”	中國廣東省廣州市增城區永寧街香山大道 2 號，現暫定名稱爲永旺夢樂城廣州增城購物中心(English translation for reference: AEON Mall - Guangzhou Zengcheng Shopping Centre, No.2 Xiangshan Road, Yongning Street, Zengcheng district, Guangzhou City, Guangdong Province, China)
“Somerley”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and

Futures Ordinance (Cap. 572, laws of Hong Kong), the independent financial adviser to the Company in respect of the duration of the Tenancy Agreement

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Tenancy Agreement” the sub-tenancy agreement dated 17 August 2020 entered into between AEON Mall as lessor and AEON GD as lessee

“%” per cent

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

Hong Kong, 22 October 2021

As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara,, Mr. Chak Kam Yuen, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Ms. Yuki Habu and Mr. Makoto Fukuda; 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.