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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)

MAJOR TRANSACTION IN RELATION TO THE TENANCY OF THE PREMISES FOR A NEW STORE

The Board is pleased to announce that on 28 October 2021, the Company, as tenant, signed the Tenancy Agreement in respect of the tenancy of the Premises for a term of nine years commencing from 1 November 2021 for operating its new retail businesses therein.

The Tenancy Agreement is subject to the execution by the Landlord. Upon execution by the Landlord, the Tenancy Agreement shall become legally binding on the Landlord and the Company subject to the terms and conditions thereto.

Pursuant to HKFRS 16, following execution of the Tenancy Agreement by both parties, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Tenancy Agreement will be regarded as an acquisition of asset by the Company under the Listing Rules. The value of right-of-use asset to be recognised by the Group under the Tenancy Agreement is expected to be approximately HK\$112.8 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Tenancy Agreement based on the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is 25% or more but is less than 100%, the Tenancy Agreement, when execution by both parties, shall constitute a major transaction of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, none of the Shareholders or any of their respective associates has a material interest in the Tenancy Agreement and the transaction contemplated thereunder, and therefore, no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting for approving the Tenancy Agreement. The Company has obtained written approval from AEON Co., which holds 155,760,000 issued ordinary shares of the Company (representing 59.91% of its entire issued share capital as at the date of this announcement). As such, the Company is exempted from convening a general meeting to approve the Tenancy Agreement and the transaction contemplated thereunder.

A circular of the Company containing, among other things, further information on the Tenancy Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 18 November 2021.

INTRODUCTION

The Board is pleased to announce that on 28 October 2021, the Company, as tenant, signed the Tenancy Agreement in respect of the tenancy of the Premises for a term of nine years commencing from the 1 November 2021 for operating its new retail businesses therein.

The Tenancy Agreement is subject to the execution by the Landlord. Upon execution by the Landlord, the Tenancy Agreement shall become legally binding on the Landlord and the Company subject to the terms and conditions thereto.

The Tenancy Agreement

The principal terms of the Tenancy Agreement are as follow:

- Date:** Signed by the Company on 28 October 2021 and dated 1 November 2021
- Parties:** the Company, as tenant; and
the Landlord, as landlord
- Premises:** I. Shop Nos. 101, 102, 106 and 107 on 1st Floor, Shop Nos. 201, 202 and 208 on 2nd Floor, and
II. One Internal Advertising Light Box on Ground Floor and Two Outdoor Advertising Banner Spaces outside the Building Facades on LG2 Floor and 1st Floor,
Domain, Yau Tong, Kowloon, Hong Kong.
- Term:** Fixed term of nine years from 1 November 2021 to 31 October 2030 provided that the tenancy cannot be terminated by the tenant before the expiry of the term.
- Usage:** Premises I are restricted for the business of Department Store/ Superstore under the trade name of “AEON STYLE” and not more than 20% of the internal floor area of the Premises I shall be used as food and beverage outlets.
Premises II are restricted for the display of the Company’s name and advertising of the Company’s business at the Premises.

Total consideration payable:	The total base rent payable under the Tenancy Agreement during the term is approximately HK\$147.2 million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Tenancy Agreement and is exclusive of government rates, air-conditioning charges, other charges and outgoings. The rent has been offered by the Company after taking into consideration the prevailing market rent for comparable premises in the vicinity of the Premises. The consideration will be satisfied by internal resources of the Group.
Payment term:	The monthly base rent, rates and air-conditioning charges shall be payable monthly in advance on the first day of each and every calendar month. The turnover rent (if payable pursuant to the terms and conditions of the Tenancy Agreement) shall be payable in arrears on the 15th day of the subsequent calendar month.
Rent Free Period:	Three (3) months from the commencement of the Term.
Deposit:	A deposit of HK\$4 million and an advance payment of approximately HK\$2.3 million have been paid by the Company upon signing of the Tenancy Agreement.

INFORMATION OF THE PARTIES

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

The Landlord is a statutory body established under the Housing Ordinance. It develops and implements a public housing programme which seeks to achieve the Hong Kong Government's policy objective.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

The principal business of the Group is the operation of retail businesses through chain stores under the trade names of "AEON STYLE", "AEON" and "AEON SUPERMARKET" in Hong Kong and the PRC. Due to the nature of its retail businesses, the Group has to enter into tenancy agreements for the leasing of retail stores from time to time. Each of the retail stores, especially sizable stores like the Premises, contributes to and maintains the Group's scale of operation which in turn benefits the Group in lowering the overall operation costs, in enhancing the Group's negotiations with its business partners and in expending its store network and market shares.

The terms of the Tenancy Agreement, including the rental charge, were determined by reference to the open market rent of comparable properties and the rental payment made for other retail stores operated by the Group. The entering into of the Tenancy Agreement is for the purpose of operation of the retail business in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the Tenancy Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Tenancy Agreement is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Acquisition of asset by the Company

Pursuant to HKFRS 16, following execution of the Tenancy Agreement by both parties, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Tenancy Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognised by the Group under the Tenancy Agreement is expected to be approximately HK\$112.8 million.

Major transaction

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Tenancy Agreement based on the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is 25% or more but is less than 100%, the Tenancy Agreement, upon execution by both parties, shall constitute a major transaction of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, none of the Shareholders or any of their respective associates has a material interest in the Tenancy Agreement and the transaction contemplated thereunder, and therefore, no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting for approving the Tenancy Agreement. The Company has obtained written approval from AEON Co., which holds 155,760,000 issued ordinary shares of the Company (representing 59.91% of its entire issued share capital as at the date of this announcement). As such, the Company is exempted from convening a general meeting to approve the Tenancy Agreement and the transaction contemplated thereunder.

A circular of the Company containing, among other things, further information on the Tenancy Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 18 November 2021.

The Tenancy Agreement is subject to the execution by the Landlord while the Premises are expected to be handed over to the Company 1 November 2021. The Company will publish announcement(s) to provide updates regarding the Tenancy Agreement if there is any material change and as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

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

“Board”	board of Directors
“Company”	AEON Stores (Hong Kong) Co., Limited (永旺 (香港) 百貨有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 984)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Department Store/ Superstore”	the designated trade under the Tenancy Agreement for the sale of general provision, health and beauty aid items, household products, fresh food products, wine and spirit, dairy and frozen food, fresh produce, fresh meat and fish, fresh convenience food packs, electrical appliances, food and beverage items, other high quality supermarket items on par with those sold in similar scale supermarkets in other reputable shopping centres only and such other goods and services as approved by the Landlord, provided that not more than 20% of the internal floor area of the Premises I shall be used as food and beverage outlets
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	person or company independent of the Company and its connected persons under the Listing Rules
“Landlord”	THE HONG KONG HOUSING AUTHORITY, a body corporate established under the Housing Ordinance (Cap. 283 of the laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Premises”	I. Shop Nos. 101, 102, 106 and 107 on 1st Floor, Shop Nos. 201, 202 and 208 on 2nd Floor, and II. One Internal Advertising Light Box on Ground Floor and Two Outdoor Advertising Banner Spaces outside the Building Facades on LG2 Floor and 1st Floor, Domain, Yau Tong, Kowloon, Hong Kong
“Shareholder(s)”	holder(s) of the share(s) in the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the Tenancy Agreement signed by the Company on 28 October 2021 and dated 1 November 2021 in relation to the tenancy of the Premises, subject to execution by the Landlord
“%”	per cent.

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

Hong Kong, 28 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 Nagakawa, 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.