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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUB-LICENCE OF THE PREMISES FOR A NEW STORE

The Board is pleased to announce that on 11 November 2021, the Company, as sub-licensee, signed the Letter of Intent in respect of the sub-licence of the Premises for a term of nine years commencing from the Tentative Commencement Date for operating its new retail businesses therein.

The Letter of Intent is subject to the execution by the Sub-Licensors. Upon execution by the Sub-Licensors, the Letter of Intent shall become legally binding on the Sub-Licensors and the Company.

Pursuant to HKFRS 16, following the handover of the Premises on the Tentative Commencement Date in accordance with the Letter of Intent, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Letter of Intent 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 Letter of Intent amounted to approximately HK\$27.9 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Letter of Intent based on the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is more than 5% and below 25%, the Letter of Intent when entered into constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 11 November 2021, the Company, as sub-licensee, signed the Letter of Intent in respect of the sub-licence of the Premises for a term of nine years commencing from the Tentative Commencement Date for operating its new retail businesses therein.

The Letter of Intent is subject to the execution by the Sub-Licensor. Upon execution by the Sub-Licensor, the Letter of Intent shall become legally binding on the Sub-Licensor and the Company.

The Letter of Intent

The principal terms of the Letter of Intent are as follow:

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| Date: | Signed by the Company on 11 November 2021 |
| Parties: | the Company, as sub-licensee; and the Sub-Licensor, as sub-licensor |
| Premises: | Shop No.ISCW-B101 on Level B1 of Indoor Sports Centre within Kai Tak Sports Park, Kai Tak, Kowloon City District, Kowloon, Hong Kong. |
| Term: | Fixed term of nine years from the Tentative Commencement Date. |
| Usage: | Restricted for the purpose of the Company's operation of a retail store under the trade name of "AEON STYLE" only. |
| Total consideration payable: | The total basic licence fee payable under the Letter of Intent during the term is approximately HK\$37.3 million, which is subject to the turnover licence fee which may be imposed pursuant to the terms and conditions of the Letter of Intent and is exclusive of government rates, management fee, promotion levy, other charges and outgoings. The licence fee has been determined after arm's length negotiations between the Company and the Sub-Licensor, 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 basic licence fee shall be payable monthly in advance on the first day of each and every calendar month. The turnover licence fee (if payable pursuant to the terms and conditions of the Letter of Intent) shall be payable in arrears within seven (7) calendar days upon receipt of the demand note from the Sub-Licensor. |

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| Licence Fee-Free Period: | One hundred and twenty (120) days from the commencement of the Term. |
| Deposit: | A deposit of approximately HK\$2.0 million is payable by the Company upon signing of the formal sub-licence agreement and an advance payment of approximately HK\$0.5 million have been paid by the Company upon signing of the Letter of Intent. |
| Other condition | <p>(i) The parties shall enter into a formal sub-licence agreement within 45 days of receipt of the same from the Sub-Licensors.</p> <p>(ii) The Letter of Intent and the sub-licence shall be terminated without any compensation (a) on or before expiry of the contract between the Employer and the Sub-Licensors or (b) the early termination thereof for whatever reasons.</p> <p>(iii) The Sub-Licensors has the right to assign the Letter of Intent and the sub-licence to any third-parties.</p> <p>(iv) The Letter of Intent and the sub-licence shall be conditional upon the Company's compliance with the Listing Rules requirements relating to Notifiable Transactions.</p> |

INFORMATION OF THE PARTIES

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

The Sub-Licensors is a joint venture company of NWD and NWS which has been awarded the contract for the design, construction and operation of the Kai Tak Sports Park. NWD is principally engaged in property development, property investment and investment in commercial aircraft leasing, hotel operation and other strategic businesses. NWS is principally engaged in (i) the development of, investment in and/or operation of roads, commercial aircraft leasing and construction; and (ii) the investment in and/or operation of environmental projects, ports and logistics facilities.

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

REASONS FOR AND BENEFITS OF THE LETTER OF INTENT

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 expanding its store network and market shares.

The terms of the Letter of Intent, including the licence fee charge, were determined after arm's length negotiations between the Parties and with 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 Letter of Intent is necessary for the 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 Letter of Intent are on normal commercial terms and are fair and reasonable and the entering into of the Letter of Intent is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, following the handover of the Premises on the Tentative Commencement Date in accordance with the Letter of Intent, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Letter of Intent 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 Letter of Intent amounted to approximately HK\$27.9 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Letter of Intent based on the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is more than 5% and below 25%, the Letter of Intent when entered into constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Letter of Intent is subject to the execution by the Sub-Licensors and there may also be a time gap before the receipt of the Letter of Intent duly signed by the Sub-Licensors. The Company will publish announcement(s) to provide updates regarding the Letter of Intent 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.

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| “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 |
| “Director(s)” | the director(s) of the Company |
| “Employer” | the Government of the Hong Kong Special Administrative Region |
| “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” | any person or company and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Group and is third party independent of the Group and its connected persons under the Listing Rules |
| “Letter of Intent” | The Letter of Intent signed by the Company on 11 November 2021 in relation to the sub-licencing of the Premises, subject to execution by the Sub-Licenser |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “NWD” | New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 0017) |
| “NWS” | NWS Holdings Limited (新創建集團有限公司*), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659) |

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| “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” | Shop No.ISCW-B101 on Level B1 of Indoor Sports Centre within Kai Tak Sports Park, Kai Tak, Kowloon City District, 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 |
| “Sub-Licensor” | Kai Tak Sports Park Limited (啟德體育園有限公司), a company incorporated in Hong Kong with limited liability and a joint venture company of NWD and NWS, being the sub-licensor of the Premises. The Sub-Licensor and its ultimate beneficial owner(s) are Independent Third Parties |
| “Tentative Commencement Date” | The commencement date of the sub-licence is tentatively scheduled for the second quarter of 2023, subject to the Sub-Licensor’s right of postponement but shall not be later than 30 June 2024 |
| “%” | per cent. |

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

Hong Kong, 11 November 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.