

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 CONTINUING CONNECTED TRANSACTIONS SUBLEASE AGREEMENTS

The Board wishes to announce that on 15 August 2017, AEON GD (a subsidiary of the Company) and the Sublessees entered into the Sublease Agreements in respect of the sublease of the Sublease Premises.

As at the date of this announcement, each of the Sublessees 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 each Sublease 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 Aggregate Annual Caps for the Sublease Agreements will (on an aggregated basis) be 0.1% or more but less than 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 the shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

AEON GD (a subsidiary of the Company) and the Landlord entered into a tenancy agreement on 31 May 2017 in respect of the Premises for a term commencing from 1 August 2017 and ending on 31 July 2022, according to which AEON GD is entitled to sublease part of the Premises.

The Board wishes to announce that on 15 August 2017, AEON GD and the Sublessees entered into the Sublease Agreements in respect of the sublease of the Sublease Premises.

2. THE SUBLEASE AGREEMENTS

Sublease Agreement 1

- Date** : 15 August 2017
- Parties** : AEON GD as sublessor and Sublessee 1 as sublessee
- Sublease Premises 1** : Unit 501, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
- Gross Floor Area** : 647.5 square metres
- Use** : Office
- Term** : **Initial term:** 36 months commencing from 1 August 2017 and expiring on 31 July 2020 (both days inclusive).

Extended term: Sublessee 1 may, subject to compliance with the Listing Rules, extend the term of Sublease Agreement 1 for a further period of 24 months until 31 July 2022 by providing 6 months' written notice to AEON GD.

- Rent** : Set out below are the monthly rents (inclusive of tax but exclusive of management fees, utilities charges and other charges in relation to the use of Sublease Premises 1) payable by Sublessee 1 to AEON GD during the term of Sublease Agreement 1.

Date	Amount of monthly rent (RMB)
Initial term	
1/8/2017 to 31/7/2019	77,700.0
1/8/2019 to 31/7/2020	80,937.5
Extended term	
1/8/2020 to 31/7/2021	84,175.0
1/8/2021 to 31/7/2022	87,412.5

Save that the rent for the first month is payable within 7 days upon signing of Sublease Agreement 1, the rents are payable in advance before the fifth day of each month.

Management fee, utilities charges and other fees : Monthly management fee at a fixed rate of RMB30 per square metre, amounting to a sum of RMB19,425.0 per month is payable by Sublessee 1 to AEON GD during the term of Sublease Agreement 1.

Utilities charges (including without limitation water charges and electricity charges) and other fees in relation to the use of Sublease Premises 1 shall be borne by Sublessee 1 on actual consumption basis.

AEON GD will pay such monthly management fees, utilities charges and other fees on behalf of Sublessee 1 to the Property Management Company.

Save that the management fee for the first month is payable within 7 days upon signing of Sublease Agreement 1, the management fees are payable in advance before the fifth day of each month.

Initial payment and deposit : A total amount of RMB398,212.5 shall be payable by Sublessee 1 to AEON GD within 7 days upon signing of Sublease Agreement 1, comprising:

- (i) RMB77,700.0, being the rent for the first month;
- (ii) RMB19,425.0, being the property management fees for the first month;
- (iii) RMB233,100.0, being deposit in respect of the rent;
- (iv) RMB58,275.0, being deposit in respect of the property management fees; and
- (v) RMB9,712.5, being deposit in respect of utilities charges.

The amounts under items (iii) to (v) shall be refunded to Sublessee 1 upon expiry or termination of Sublease Agreement 1, provided that there are no outstanding amounts due from Sublessee 1 under Sublease Agreement 1.

Sublease Agreement 2

Date : 15 August 2017

Parties : AEON GD as sublessor and Sublessee 2 as sublessee

Sublease Premises 2 : Units 502 and 503, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC

Gross Floor Area : 578.8 square metres

Use : Office

Term : **Initial term:** 36 months commencing from 1 August 2017 and expiring on 31 July 2020 (both days inclusive).

Extended term: Sublessee 2 may, subject to compliance with the Listing Rules, extend the term of Sublease Agreement 2 for a further period of 24 months until 31 July 2022 by providing 6 months' written notice to AEON GD.

Rent : Set out below are the monthly rents (inclusive of tax but exclusive of management fees, utilities charges and other charges in relation to the use of Sublease Premises 2) payable by Sublessee 2 to AEON GD during the term of Sublease Agreement 2.

Date	Amount of monthly rent (RMB)
Initial term	
1/8/2017 to 31/7/2019	69,456.0
1/8/2019 to 31/7/2020	72,350.0
Extended term	
1/8/2020 to 31/7/2021	75,244.0
1/8/2021 to 31/7/2022	78,138.0

Save that the rent for the first month is payable within 7 days upon signing of Sublease Agreement 2, the rents are payable in advance before the fifth day of each month.

Management fee, utilities charges and other fees : Monthly management fee at a fixed rate of RMB30 per square metre, amounting to a sum of RMB17,364.0 per month is payable by Sublessee 2 to AEON GD during the term of Sublease Agreement 2.

Utilities charges (including without limitation water charges and electricity charges) and other fees in relation to the use of Sublease Premises 2 shall be borne by Sublessee 2 on actual consumption basis.

AEON GD will pay such monthly management fees, utilities charges and other fees on behalf of Sublessee 2 to the Property Management Company.

Save that the management fee for the first month is payable within 7 days upon signing of Sublease Agreement 2, the management fees are payable in advance before the fifth day of each month.

Initial payment and deposit : A total amount of RMB355,962.0 shall be payable by Sublessee 2 to AEON GD within 7 days upon signing of Sublease Agreement 2, comprising:

- (i) RMB69,456.0, being the rent for the first month;
- (ii) RMB17,364.0, being the property management fees for the first month;
- (iii) RMB208,368.0, being deposit in respect of the rent;
- (iv) RMB52,092.0, being deposit in respect of the property management fees; and
- (v) RMB8,682.0, being deposit in respect of utilities charges.

The amounts under items (iii) to (v) shall be refunded to Sublessee 2 upon expiry or termination of Sublease Agreement 2, provided that there are no outstanding amounts due from Sublessee 2 under Sublease Agreement 2.

Sublease Agreement 3

Date : 15 August 2017

Parties : AEON GD as sublessor and Sublessee 3 as sublessee

Sublease Premises 3 : Unit 505, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC

Gross Floor Area : 210.9 square metres

Use : Office

Term : **Initial term:** 36 months commencing from 1 August 2017 and expiring on 31 July 2020 (both days inclusive).

Extended term: Sublessee 3 may, subject to compliance with the Listing Rules, extend the term of Sublease Agreement 3 for a further period of 24 months until 31 July 2022 by providing 6 months' written notice to AEON GD.

Rent : Set out below are the monthly rents (inclusive of tax but exclusive of management fees, utilities charges and other charges in relation to the use of Sublease Premises 3) payable by Sublessee 3 to AEON GD during the term of Sublease Agreement 3.

Date	Amount of monthly rent (RMB)
Initial term	
1/8/2017 to 31/7/2019	25,308.0
1/8/2019 to 31/7/2020	26,362.5
Extended term	
1/8/2020 to 31/7/2021	27,417.0
1/8/2021 to 31/7/2022	28,471.5

Save that the rent for the first month is payable within 7 days upon signing of Sublease Agreement 3, the rents are payable in advance before the fifth day of each month.

Management fee, utilities charges and other fees : Monthly management fee at a fixed rate of RMB30 per square metre, amounting to a sum of RMB6,327.0 per month is payable by Sublessee 3 to AEON GD during the term of Sublease Agreement 3.

Utilities charges (including without limitation water charges and electricity charges) and other fees in relation to the use of Sublease Premises 3 shall be borne by Sublessee 3 on actual consumption basis.

AEON GD will pay such monthly management fees, utilities charges and other fees on behalf of Sublessee 3 to the Property Management Company.

Save that the management fee for the first month is payable within 7 days upon signing of Sublease Agreement 3, the management fees are payable in advance before the fifth day of each month.

Initial payment and deposit : A total amount of RMB129,703.5 shall be payable by Sublessee 3 to AEON GD within 7 days upon signing of Sublease Agreement 3, comprising:

- (i) RMB25,308. 0, being the rent for the first month;
- (ii) RMB6,327.0, being the property management fees for the first month;
- (iii) RMB75,924.0, being deposit in respect of the rent;
- (iv) RMB18,981.0, being deposit in respect of the property management fees; and
- (v) RMB3,163.5, being deposit in respect of utilities charges.

The amounts under items (iii) to (v) shall be refunded to Sublessee 3 upon expiry or termination of Sublease Agreement 3, provided that there are no outstanding amounts due from Sublessee 3 under Sublease Agreement 3.

Sublease Agreement 4

Date : 15 August 2017

Parties : AEON GD as sublessor and Sublessee 4 as sublessee

Sublease Premises 4 : Unit 506, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC

Gross Floor Area : 29.5 square metres

Use : Office

Term : **Initial term:** 36 months commencing from 1 August 2017 and expiring on 31 July 2020 (both days inclusive).

Extended term: Sublessee 4 may, subject to compliance with the Listing Rules, extend the term of Sublease Agreement 4 for a further period of 24 months until 31 July 2022 by providing 6 months' written notice to AEON GD.

Rent : Set out below are the monthly rents (inclusive of tax but exclusive of management fees, utilities charges and other charges in relation to the use of Sublease Premises 4) payable by Sublessee 4 to AEON GD during the term of Sublease Agreement 4.

Date	Amount of monthly rent (RMB)
-------------	---

Initial term

1/8/2017 to 31/7/2019	3,540.0
1/8/2019 to 31/7/2020	3,687.5

Extended term

1/8/2020 to 31/7/2021	3,835.0
1/8/2021 to 31/7/2022	3,982.5

Save that the rent for the first month is payable within 7 days upon signing of Sublease Agreement 4, the rents are payable in advance before the fifth day of each month.

Management fee, utilities charges and other fees : Monthly management fee at a fixed rate of RMB30 per square metre, amounting to a sum of RMB885.0 per month is payable by Sublessee 4 to AEON GD during the term of Sublease Agreement 4.

Utilities charges (including without limitation water charges and electricity charges) and other fees in relation to the use of Sublease Premises 4 shall be borne by Sublessee 4 on actual consumption basis.

AEON GD will pay such monthly management fees, utilities charges and other fees on behalf of Sublessee 4 to the Property Management Company.

Save that the management fee for the first month is payable within 7 days upon signing of Sublease Agreement 4, the management fees are payable in advance before the fifth day of each month.

Initial payment and deposit : A total amount of RMB18,142.5 shall be payable by Sublessee 4 to AEON GD within 7 days upon signing of Sublease Agreement 4, comprising:

- (i) RMB3,540.0, being the rent for the first month;
- (ii) RMB885.0, being the property management fees for the first month;
- (iii) RMB10,620.0, being deposit in respect of the rent;
- (iv) RMB2,655.0, being deposit in respect of the property management fees; and
- (v) RMB442.5, being deposit in respect of utilities charges.

The amounts under items (iii) to (v) shall be refunded to Sublessee 4 upon expiry or termination of Sublease Agreement 4, provided that there are no outstanding amounts due from Sublessee 4 under Sublease Agreement 4.

3. ANNUAL CAPS

As all the continuing connected transactions contemplated under each of the Sublease Agreements are of the same nature and entered into with subsidiaries of AEON Co, the controlling shareholder of the Company, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

The Directors estimate that the maximum aggregate amounts payable by the Sublessees to the Company (exclusive of tax) under the Sublease Agreements will not exceed the Aggregate Annual Caps below:

Financial Year/Period	Aggregate Annual Caps (RMB millions)
1/8/2017 to 31/12/2017	1.1
1/1/2018 to 31/12/2018	2.7
1/1/2019 to 31/12/2019	2.7
1/1/2020 to 31/7/2020	1.6

The Aggregate Annual Caps have been calculated based on the fixed rental, expected management fees, utility charges and other fees payable by the Sublessees under the Sublease Agreements.

4. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company understands that in negotiating the terms of the Tenancy Agreement with the Landlord, AEON GD could secure more favourable rental rates if it agreed to rent the entire Premises, rather than just the portion that it requires. Accordingly, AEON GD agreed to lease the entire Premises and sublease portions of the Premises that it does not require to the Sublessees which are also in need of office space.

The terms of the Sublease Agreements have been reached after arm's length negotiations between the relevant parties. Based on the information available to the Company, the Company understands that the principal terms of the Sublease Agreements are no more favourable than the principal terms of the tenancy agreement in respect of the Premises. In fact, the rental rate charged by AEON GD to the Sublessees is even higher than the rental rate charged by the Landlord to AEON GD.

The Directors (including the independent non-executive Directors) are of the opinion that:

- (1) the transactions under the Sublease Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and

- (2) such transactions and the Aggregate 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 Sublease Agreements, Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Hideaki Yajima and Mr. Shinya Wako were regarded as potentially having a material interest in the Sublease Agreements and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, each of the Sublessees 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 each Sublease 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 Aggregate Annual Caps for the Sublease Agreements will (on an aggregated basis) be 0.1% or more but less than 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 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.

Sublessee 1 is principally engaged in the operation of supermarkets.

Sublessee 2 is principally engaged in development and leasing businesses.

Sublessee 3 is principally engaged in comprehensive facility management service.

Sublessee 4 is principally engaged in the supply of a variety of shoes merchandise.

7. 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
“Aggregate Annual Caps”	the maximum aggregate annual amounts payable by the Sublessees to AEON GD pursuant to the Sublease Agreements
“Board”	the board of Directors of the Company

“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
“Landlord”	the landlord of the Premises and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Premises”	Part of an office unit located at 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
“Property Management Company”	廣州怡城物業管理有限公司, a company established in the PRC and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sublease Agreements”	Sublease Agreement 1, Sublease Agreement 2, Sublease Agreement 3 and Sublease Agreement 4
“Sublease Agreement 1”	the sublease agreement dated 15 August 2017 entered into between AEON GD and Sublessee 1 in respect of Premises 1
“Sublease Agreement 2”	the sublease agreement dated 15 August 2017 entered into between AEON GD and Sublessee 2 in respect of Premises 2
“Sublease Agreement 3”	the sublease agreement dated 15 August 2017 entered into between AEON GD and Sublessee 3 in respect of Premises 3

“Sublease Agreement 4”	the sublease agreement dated 15 August 2017 entered into between AEON GD and Sublessee 4 in respect of Premises 4
“Sublease Premises”	Premises 1, Premises 2, Premises 3 and Premises 4
“Sublease Premises 1”	Unit 501, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
“Sublease Premises 2”	Unit 502 and 503, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
“Sublease Premises 3”	Unit 505, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
“Sublease Premises 4”	Unit 506, 5th Floor, Fortune Plaza West Tower, No. 118 Tiyu East Road, Tian He District, Guangzhou City, Guangdong Province, PRC
“Sublessees”	Sublessee 1, Sublessee 2, Sublessee 3 and Sublessee 4
“Sublessee 1”	永旺美思佰樂(廣州)商業有限公司, a company established in the PRC and a subsidiary of AEON Co
“Sublessee 2”	永旺夢樂城(廣東)商業管理有限公司, a company established in the PRC and a subsidiary of AEON Co
“Sublessee 3”	武漢小築物業管理有限公司廣州分公司, a company established in the PRC and a subsidiary of AEON Co
“Sublessee 4”	新腳步(北京)商貿有限公司, a company established in the PRC and a subsidiary of AEON Co

By Order of the Board
AEON Stores (Hong Kong) Co., Limited
Yuki Habu
Chairman and Managing Director

Hong Kong, 15 August 2017

As at the date of this announcement, the Executive Directors of the Company are Ms. Yuki Habu, Mr. Masamitsu Ikuta, Mr. Hideaki Yajima, Mr. Chak Kam Yuen and Mr. Lau Chi Sum Sam; the Non-executive Director is Mr. Shinya Wako; and the Independent Non-executive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty and Mr. Chow Chi Tong.