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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 OFFER TO LEASE

The Board is pleased to announce that on 17 June 2022, the Company, as tenant, signed the Offer in respect of the tenancy of the Premises for a term of four years commencing from 1 December 2023 and expiring on 30 November 2027 for operating its retail businesses therein.

The Offer is subject to the execution by the Landlord. Upon execution by the Landlord, the Offer shall become legally binding on the Landlord and the Company.

Pursuant to HKFRS 16, following the conclusion of the Offer, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Offer 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 Offer amounted to approximately HK\$16.53million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Offer 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 Offer 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 17 June 2022, the Company, as tenant, signed the Offer in respect of the tenancy of the Premises for a term of four years commencing from 1 December 2023 and expiring on 30 November 2027 (both days inclusive) for operating its retail businesses therein.

The Offer is subject to the execution by the Landlord. Upon execution by the Landlord, the Offer shall become legally binding on the Landlord and the Company.

The Offer

The principal terms of the Offer are as follow:

Date:	Signed by the Company on 17 June 2022
Parties:	the Company, as tenant; and the Landlord, as landlord
Premises:	3 Floor, Chong Hing Square, 601 Nathan Road, Kowloon, Hong Kong.
Term:	Four years commencing on 1 December 2023 and expiring on 30 November 2027 (both days inclusive).
Usage:	For use only by the Company as a retail shop under the trade name of “DAISO” and/or “DAISO JAPAN” and/or “Living Plaza by AEON” and for the business operation by the Company’s licensees and any change in the nature of business carried out at the Premises is to be approved by the Landlord in advance (such approval shall not be unreasonably withheld).
Total consideration payable:	<p>The total base rent payable under the Offer during the term is approximately HK\$18million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Offer and is exclusive of government rates, management fee, air-conditioning charges, other charges and outgoings. The rent has been determined after arm’s length negotiations between the Company and the Landlord, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.</p> <p>The consideration will be satisfied by internal resources of the Group.</p>
Payment term:	The monthly base rent shall be payable monthly in advance on the first day of each calendar month. The turnover rent (if payable pursuant to the terms and conditions of the Offer) shall be payable in arrears.
Rent Free Period:	One month from 1 December 2023 to 31 December 2023 (both days inclusive) subject to compliance with the terms and conditions of the Offer.
Deposit:	Approximately HK\$1.8 million which was transferred in full from the Existing Tenancy as the Deposit paid by the Company under the Offer.

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 principally engaged in property investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord and their respective ultimate beneficial owner(s) are Independent Third Parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE LEASE

The principal business of the Group is the operation of retail businesses through chain stores under the trade names of "AEON STYLE", "AEON", "AEON SUPERMARKET" and "DAISO JAPAN" 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 one which the Premises forms part of, 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.

Prior to entering into the Offer, the Company has been occupying the Premises as tenant under the Existing Tenancy and has been operating one of its retail stores therein, being part of the Group's principal business, for more than 15 years. As the Existing Tenancy will expire on 30 November 2023, the Offer with a term up to 30 November 2027 allows the Group to continue to run its principal business and to maintain the scale of operation at a place already with strong and established customer base.

The terms of the Offer, including the rental 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 Offer 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 Offer are on normal commercial terms and are fair and reasonable and the entering into of the Offer is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, following conclusion of the Offer, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Offer 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 Offer amounted to approximately HK\$16.53million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Offer 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 Offer 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.

Since the Offer is subject to the execution by the Landlord and there may also be a time gap before the receipt of the Offer duly signed by the Landlord, the Company will publish an announcement to provide updates regarding the Offer 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
“Director(s)”	the directors of the Company
“Existing Tenancy”	the existing tenancy agreement entered into between the Company as tenant and the Landlord as landlord on 15 January 2021 in respect of the tenancy of the Premises for a term up to 30 November 2023
“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 in accordance with the Listing Rules
“Landlord”	YUE TUNG CHING KEE COMPANY LIMITED (裕東正記有限公司), a company incorporated in Hong Kong with limited liability, being landlord of the Premises, which is held as to 100% by Liu Chong Hing Investment Limited (廖創興企業有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code:194)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer”	the offer letter issued by the Company as tenant on 17 June 2022 to the Landlord in respect of the tenancy of the Premises
“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”	3 Floor, Chong Hing Square, 601 Nathan Road, Kowloon, Hong Kong
“Shareholder(s)”	holders of the shares in the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 17 June 2022

As at the date of this announcement, the Executive Directors are Mr. Isao Sugawara, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Mr. Makoto Fukuda and Mr. Hiroyuki Inohara; and the Independent Non-executive Directors are Mr. Chow Chi Tong and Mr. Hideto Mizuno and Ms. Law Chi Yan Joyce.