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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
LETTER OF OFFER**

The Board is pleased to announce that on 28 June 2024, the Company, as lessee, signed the Letter of Offer in respect of the tenancy of the Premises for a term of four years commencing from 14 October 2024 and expiring on 13 October 2028 for operating its new retail businesses therein.

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

Pursuant to HKFRS 16, following the conclusion of the Letter of Offer, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Letter of 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 Letter of Offer amounted to approximately HK\$6.9 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Letter of 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 Letter of 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 28 June 2024, the Company, as lessee, signed the Letter of Offer in respect of the tenancy of the Premises for a term of four years commencing from 14 October 2024 and expiring on 13 October 2028 for operating its new retail businesses therein.

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The Letter of Offer

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

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| Date: | Signed by the Company on 28 June 2024 |
| Parties: | the Company, as lessee; and the Lessor, as lessor |
| Premises: | Shop No. L9, Lower Ground Floor, FitFort, 560 King's Road, North Point, Hong Kong. |
| Term: | Four (4) years commencing on 14 October 2024 and expiring on 13 October 2028 (both days inclusive) together with an option to renew for a further term of three (3) years. |
| Usage: | Restricted to be used for no purpose other than retail sales and display of household products and accessories, lifestyle products, grocery, furniture and such other items which may be carried in other outlets of “ものもの Mono Mono” in Hong Kong under the trade name of “ものもの Mono Mono” only. |
| Total consideration payable: | The total base rent payable under the Letter of Offer during the term is approximately HK\$8.1 million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Letter of Offer and is exclusive of air-conditioning charges, management fee, promotional charge, government rates, other outgoings. The rent has been determined after arm's length negotiations between the Company and the Lessor, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises. |

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| | The consideration will be satisfied by internal resources of the Group. |
| 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 Letter of Offer) shall be payable in arrears. |
| Rent Free Period: | Four months from the commencement of the Term. |
| Air-conditioning charges, management fee & promotional charges: | The total air-conditioning charges, management fee & promotional charges payable during the fixed term under the Letter of Offer is approximately HK\$11.2 million. The monthly air-conditioning charges, management fee & promotional charges are payable in advance on the first date of each calendar month (subject to reviews by the Lessor from time to time). |
| Government rates: | Payable by the Company quarterly and subject to assessment by the government. |
| Deposit: | Approximately HK\$1.3 million which was paid in cash by the Company on signing of the Letter of Offer. |
| Advance Payment: | Approximately HK\$0.5 million representing the first month's base rent, air-conditioning charge, management fee, promotional charge and 1 quarter's rate. |
| Option to renew: | The Company has the right to exercise the option to renew for a further term of three (3) years at open market rent for the monthly base rent which shall not be less than the monthly base rent for the last year of the Term and not more than approximately 110% of the monthly base rent for the last year of the Term. |
| Sales, redevelopment or refurbishment | Should the Lessor enter into a contract to sell the Fitfort or any part thereof which shall include the Premises or resolve to redevelop, refurbish, demolish or renovate the Fitfort or any part thereof, the Lessor shall have the right to terminate the Letter of Offer by giving six (6) calendar months' written notice provided that the said notice shall not be served on the Lessee within the first forty-two (42) months from the commencement of the Term. |
| Other condition | The parties shall enter into a formal lease agreement and a memorandum of lease within 14 days of receipt of the same from the Lessor. |

INFORMATION OF THE PARTIES

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

The principal activity carried on by the Lessor is property investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its 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, including 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 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 Letter of 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 Letter of Offer are on normal commercial terms and are fair and reasonable and the entering into of the Letter of 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 Letter of Offer, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Letter of 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 Letter of Offer amounted to approximately HK\$6.9 million.

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

The Letter of Offer is subject to the execution by the Lessor and there may also be a time gap before the receipt of the Letter of Offer duly signed by the Lessor. The Company will publish an announcement to provide updates regarding the Letter of Offer if there is any material change 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 directors 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” | 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 |

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| “Lessor” | National Goal Limited, a company incorporated in Hong Kong with limited liability which is a wholly owned subsidiary of Emperor International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 163) |
| “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” | Shop No. L9, Lower Ground Floor, FitFort, 560 King’s Road, North Point, Hong Kong |
| “Shareholder(s)” | holders of the shares in the Company from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Letter of Offer” | the Letter of Offer issued by the Company as lessee on 28 June 2024 in respect of the tenancy of the Premises |
| “%” | per cent. |

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

Hong Kong, 28 June 2024

As at the date of this announcement, the Executive Directors are Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Toshiya Goto, Mr. Hiroyuki Inohara, Mr. Kenji Fujita and Mr. Yasutoshi Yokochi; and the Independent Non-executive Directors are Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting.