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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)

POSSIBLE DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE OF THE PREMISES FOR A NEW STORE

The Board is pleased to announce that on 14 May 2021, the Company, as tenant, signed the Lease in respect of the tenancy of the Premises for a term of six years commencing from the Tentative Commencement Date for operating its new retail businesses therein.

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

Pursuant to HKFRS 16, following the conclusion of the Lease, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Lease 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 Lease amounted to approximately HK\$76.8 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Lease 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 Lease 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 14 May 2021, the Company, as tenant, signed the Lease in respect of the tenancy of the Premises for a term of six years commencing from the Tentative Commencement Date for operating its new retail businesses therein.

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

The Lease

The principal terms of the Lease are as follow:

Date:	Signed by the Company on 14 May 2021
Parties:	the Company, as tenant; and the Agent, agent of the Landlord, as landlord
Premises:	Shop B, Ground Floor and whole of First Floor, Gala Place, 56 Dundas Street, Mong Kok, Kowloon, Hong Kong.
Term:	Fixed term of six years from the Tentative Commencement Date.
Usage:	Restricted for the purpose of the Tenant's operation of a retail store under the trade name of "AEON Style" only.
Total consideration payable:	The total basic rent payable under the Lease during the term is approximately HK\$85.5 million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Lease 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. The consideration will be satisfied by internal resources of the Group.
Payment term:	The monthly basic 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 Lease) shall be payable in arrears on the 15th day of the following month.
Rent Free Period:	Three months from the commencement of the Term subject to no breach by the Company of any terms and conditions of the Lease during the Term.
Deposit:	Approximately HK\$5 million which has been paid by the Company upon signing of the Lease.

INFORMATION OF THE PARTIES

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

The Landlord and the Agent are principally engaged in property leasing and property agency activities, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Agent, 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" 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 Lease, 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 Lease 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 Lease are on normal commercial terms and are fair and reasonable and the entering into of the Lease 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 Lease, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Lease 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 Lease amounted to approximately HK\$76.8 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Lease 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 Lease 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 Lease is still subject to the execution by the Landlord and there may also be a time gap before the receipt of the Lease duly signed by the Landlord, the Company will publish an announcement to update on matters regarding the Lease as and when appropriate.

DEFINITIONS

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

“Agent”	Hang Lung Real Estate Agency Limited (恒隆地產代理有限公司), a company incorporated in Hong Kong with limited liability, being the agent of the Landlord, is a wholly owned subsidiary of Hang Lung Properties Limited, the issued shares of which are listed on the Hong Kong Stock Exchange (Stock code 101) and a non-wholly owned subsidiary of Hang Lung Group Limited, the issued shares of which are listed on the Hong Kong Stock Exchange (Stock code 10) and the Agent and its ultimate beneficial owner(s) are Independent Third Parties.
“Board”	board of Directors
“Company”	AEON Stores (Hong Kong) Co., Limited (EON Stores (Ho 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
“Landlord”	Hang Lung Gala Place Limited (恒隆家樂坊有限公司), a company incorporated in Hong Kong with limited liability, being the landlord of the Premises, which is an indirect wholly owned subsidiary of Hang Lung Properties Limited, the issued shares of which are listed on the Hong Kong Stock Exchange (Stock code 101) and a non-wholly owned subsidiary of Hang Lung Group Limited, the issued shares of

	which are listed on the Hong Kong Stock Exchange (Stock code 10) and the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.
“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 B, Ground Floor and whole of First Floor, Gala Place, 56 Dundas Street, Mong Kok, 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
“Lease”	The Lease signed by the Company on 14 May 2021 in relation to the leasing of the Premises and subject to execution by the Agent, as agent of the Landlord.
“Tentative Commencement Date”	The commencement date of the Lease is tentatively scheduled on 17 May 2021, subject to the Landlord’s right of postponement.
“%”	per cent.

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

Hong Kong, 14 May 2021

As at the date of this announcement, the Executive Directors are Mr. Isei Nakagawa, Mr. Chak Kam Yuen, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Ms. Yuki Habu, Mr. Akinori Yamashita and Mr. Isao Sugawara; 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.