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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)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
SUBLEASE AGREEMENT**

Reference is made to the announcement of the Company dated 15 August 2017 in relation to the Previous Sublease Agreements in respect of the sublease of the Sublease Premises. The Previous Sublease Agreements expired on 31 July 2020. Sublessees 1, 2 and 3 renewed their sublease agreements with AEON GD and the Renewed Sublease Agreements, whether alone or aggregated with each other, constituted *de minimis* transactions pursuant to Rule 14A.76(1) of the Listing Rules.

The Board announces that on 7 June 2021, AEON GD and the Sublessee 2 entered into the 2021 Sublease Agreement in respect of the sublease of the Sublease Premises 2.

As the transaction contemplated under the 2021 Sublease Agreement is of similar nature with those under the Renewed Sublease Agreements and entered into with subsidiaries of AEON Co and both the 2021 Sublease Agreement and the Renewed Sublease Agreements will be carried out on a continuing basis over a period of time, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of the Listing Rules.

As at the date of this announcement, Sublessee 2 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 transaction contemplated under the 2021 Sublease Agreement constitutes continuing connected transaction 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 2021 Sublease Agreement and the Renewed Sublease Agreements will (on an aggregated basis) be 0.1% or more but less than 5%, the 2021 Sublease Agreement and the transaction 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

Reference is made to the announcement of the Company dated 15 August 2017 in relation to the Previous Sublease Agreements in respect of the sublease of the Sublease Premises. The Previous Sublease Agreements expired on 31 July 2020. Sublessees 1, 2 and 3 renewed their sublease agreements with AEON GD and the Renewed Sublease Agreements, whether alone or aggregated with each other, constituted *de minimis* transactions pursuant to Rule 14A.76(1) of the Listing Rules.

The Board announces that on 7 June 2021, AEON GD and the Sublessee 2 entered into the 2021 Sublease Agreement in respect of the sublease of the Sublease Premises 2.

2. THE 2021 SUBLEASE AGREEMENT

The principal terms of the 2021 Sublease Agreement are as follows:

Date	:	7 June 2021
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	:	12 months commencing from 1 August 2021 and expiring on 31 July 2022 (both days inclusive).
Rent	:	RMB78,138 per month (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 the 2021 Sublease Agreement.

Save that the rent for the first month is payable within 7 days upon signing of 2021 Sublease Agreement, 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 per month is payable by Sublessee 2 to AEON GD during the term of the 2021 Sublease Agreement.
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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 2021 Sublease Agreement, the management fees are payable in advance before the fifth day of each month.

Initial payment and deposit : A total amount of RMB390,690 shall be payable by Sublessee 2 to AEON GD within 7 days upon signing of the 2021 Sublease Agreement, comprising:

- (i) RMB78,138, being the rent for the first month;
- (ii) RMB17,364, being the property management fees for the first month;
- (iii) RMB234,414, being deposit in respect of the rent;
- (iv) RMB52,092, being deposit in respect of the property management fees; and
- (v) RMB8,682, 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 the 2021 Sublease Agreement, provided that there are no outstanding amounts due from Sublessee 2 under the 2021 Sublease Agreement.

3. ANNUAL CAPS

As the transaction contemplated under the 2021 Sublease Agreement is of similar nature of those under the Renewed Sublease Agreements and entered into with subsidiaries of AEON Co and both the 2021 Sublease Agreement and the Renewed Sublease Agreements will be carried out on a continuing basis over a period of time, 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 respective Sublessees to AEON GD under the 2021 Sublease Agreements and the Renewed Sublease Agreements will not exceed the Aggregated Annual Caps below:

Annual caps under the: (RMB millions)	1/8/2020 – 31/12/2020	1/1/2021 - 31/12/2021	1/1/2022- 31/7/2022
Renewed Sublease Agreements	1.14	2.34	1.01
2021 Sublease Agreement	--	0.48	0.68
Total	1.14	2.82	1.69

In arriving at the Aggregated Annual Caps, the Directors took into account (i) the historical transaction amounts paid to AEON GD for the three years ended 31 December 2020, being approximately RMB2.6 million¹, RMB2.6 million¹ and RMB

2.6 million² and (ii) the fixed rental payments, expected management fees, utility charges and other fees payable by the respective Sublessees under the 2021 Sublease Agreement and the Renewed Sublease Agreements.

Note 1: amounts paid by the respective Sublessees under the Previous Sublease Agreements;

Note 2: amounts paid by the respective Sublessees under the Previous Sublease Agreements for the period from 1 January 2020 to 31 July 2020 and paid by the respective Sublessees under the Renewed Sublease Agreements for the period from 1 August 2020 to 31 December 2020.

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 spaces.

The terms of the 2021 Sublease Agreement have been reached after arm's length negotiations between AEON GD and Sublessee 2. Based on the information available to the Company, the Company understands that the principal terms of the 2021 Sublease Agreement are no more favourable to Sublessee 2 than the principal terms of the Tenancy Agreement to AEON GD in respect of the Premises. In fact, the rental rate charged by AEON GD to the Sublessee 2 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 the transactions under the 2021 Sublease Agreement are on normal commercial terms and entered into in the ordinary and usual course of business of the Group and 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 2021 Sublease Agreement, Ms. Yuki Habu, Mr. Isei Nakagawa, Mr. Takenori Nagashima, Mr. Shinya Hisanaga and Mr. Isao Sugawara were regarded as potentially having a material interest in the 2021 Sublease Agreement and accordingly abstained from voting on the relevant resolutions.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, Sublessee 2 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 transaction contemplated under the 2021 Sublease Agreement constitutes continuing connected transaction of the Company under the Listing Rules.

As the transaction contemplated under the 2021 Sublease Agreement is of similar nature with those under the Renewed Sublease Agreements and entered into with

subsidiaries of AEON Co and both the 2021 Sublease Agreement and the Renewed Sublease Agreements will be carried out on a continuing basis over a period of time, the annual caps of all such continuing connected transactions are aggregated in accordance with Rule 14A.81 of 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 2021 Sublease Agreement and the Renewed Sublease Agreements will (on an aggregated basis) be 0.1% or more but less than 5%, the 2021 Sublease Agreement and the transaction 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 2 is principally engaged in the development and leasing businesses.

7. DEFINITIONS

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

“2021 Sublease Agreement”	The sublease agreement dated 7 June 2021 entered into between AEON GD, as sublessor, and Sublessee 2, as sublessee, in respect of Sublease Premises 2 for one year from 1 August 2021 to 31 July 2022
“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 respective Sublessees to AEON GD pursuant to the 2021 Sublease Agreement and the Renewed Sublease Agreements
“Board”	the board of Directors
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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, 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
“Previous Sublease Agreements”	The four previous sublease agreements all dated 15 August 2017 respectively entered into by AEON GD (i) with Sublessee 1 in respect of Premises 1, (ii) with Sublessee 2 in respect of Premises 2, (iii) with Sublessee 3 in respect of Premises 3 and (iv) with Sublessee 4 in respect of Premises 4 and all expired on 31 July 2020, details of which agreements were disclosed in the announcement of the Company dated 15 August 2017
“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

“Renewed Sublease Agreements”	<p>The sublease agreements entered into by AEON GD with the following Sublessees and details:</p> <p>(i) Sublessee 1 in respect of Sublease Premises 1 for two years from 1 August 2020 to 31 July 2022;</p> <p>(ii) Sublessee 2 in respect of Sublease Premise 2 for one year from 1 August 2020 to 31 July 2021; and</p> <p>(iii) Sublessee 3 in respect of Sublease Premises 3 for two years from 1 August 2020 to 31 July 2022;</p> <p>all at the respective rental amounts disclosed in the announcement of the Company dated 15 August 2017 for the corresponding period and the transactions pursuant to the above three sublease agreements whether along or aggregated with each other, constituted de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules</p>
“Sublease Premises”	Sublease Premises 1, Sublease Premises 2, Sublease Premises 3 and Sublease 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/or Sublessee 4 (as the case may be)
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenancy Agreement”

The tenancy agreement dated 31 May 2017 entered into between AEON GD and the Landlord in respect of the Premises for a term commencing from 1 August 2017 and ending on 31 July 2022

“%”

per cent.

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

Hong Kong, 7 June 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 Nakagawa, 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.