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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 OFFER TO LEASE

The Board is pleased to announce that on 7 December 2021, the Company, as tenant, signed the Offer in respect of the tenancy of the Premises for a term commencing from 1 January 2022 and expiring on 15 April 2026 for operating its retail businesses therein.

The Offer is subject to the execution by the Agent as agent of the Landlord. Upon execution by the Agent, 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\$22.6 million.

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 7 December 2021, the Company, as tenant, signed the Offer in respect of the tenancy of the Premises for a term commencing from 1 January 2022 and expiring on 15 April 2026 for operating its retail businesses therein.

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The Offer

The principal terms of the Offer are as follow:

- Date:** Signed by the Company on 7 December 2021
- Parties:** the Company, as tenant; and
the Sino Real Estate Agency Limited, agent of the Landlord
- Premises:** 1139 of Floor 01 of Tuen Mun Town Plaza (I), 1 Tuen Shing Street,
Tuen Mun, New Territories, Hong Kong.
- Term:** Commencing on 1 January 2022 and expiring on 15 April 2026.
- Usage:** For use only by the Company and the Company's licensees (as permitted by the Landlord) as the operation of a general merchandise store, including supermarkets and restaurants under the trade name of AEON or such other name to be approved by the Landlord in advance (such approval shall not be unreasonably withheld).
- Total consideration payable:** The total base rent payable under the Offer during the term is approximately HK\$24.7 million, 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.
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 Offer) shall be payable yearly in arrears.
- Deposit:** Approximately HK\$1.8 million of which approximately HK\$1.56 million was transferred from the Existing Leases and a balance of approximately HK\$0.27 million has been paid by the Company upon signing of 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 and the Agent are principally engaged in property investment and real estate 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 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 Leases and, together with the TM Premises, has been operating one of its general merchandise stores therein, being part of the Group's principal business, for more than 20 years. As the Existing Leases will expire on 31 December 2021, the Offer with a term up to 15 April 2026 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\$22.6 million.

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 Agent as agent for the Landlord and there may also be a time gap before the receipt of the Offer duly signed by the Agent, 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.

“Agent”	SINO REAL ESTATE AGENCY LIMITED (信和地產代理有限公司), a company incorporated in Hong Kong with limited liability, being the agent of the Landlord, is held as to 50% by Sino Land which was in turn held as to 57.04% by Tsim Sha Tsui Properties while the remaining 50% of the equity interests in the Agent is held by Deansky Investments Limited which was wholly controlled by Mr. Robert Ng Chee Siong (an executive director and chairman of Sino Land and an executive director and chairman of Tsim Sha Tsui Properties)
“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 Leases”	the existing lease agreement and its extension letter entered into between the Company as tenant and the Landlord as landlord on 5 November 2014 and 13 November 2018 respectively in respect of the lease of the Premises and the TM Premises whereby the lease in respect of the Premises was extended by a series of short term tenancy / extension letters dated 20 March 2020 (with its corresponding tenancy agreement dated 10 May 2021), 16 December 2020 and 28 June 2021
“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”	ENTERTAINMENT CITY LIMITED (娛樂天地有限公司), a company incorporated in Hong Kong with limited liability, being landlord of the Premises, which is held as to 100% by Sino Land which was in turn held as to 57.04% by Tsim Sha Tsui Properties
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer”	the offer for renewal of tenancy issued by the Company as tenant on 7 December 2021 to the Agent as agent of the Landlords in respect of the lease 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”	1139 of Floor 01 of Tuen Mun Town Plaza (I), 1 Tuen Shing Street, Tuen Mun, New Territories, Hong Kong
“Shareholder(s)”	holders of the shares in the Company from time to time
“Sino Land”	Sino Land Company Limited (信和置業有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code:83), which is a non-wholly owned subsidiary of Tsim Sha Tsui Properties
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TM Premises”	1301 — 1350 of Floor 01, 081–112 of Floor G and 082–120 of Floor UG of Tuen Mun Town Plaza (I), 1 Tuen Shing

“Tsim Sha Tsui
Properties”

Street, Tuen Mun, New Territories, Hong Kong
Tsim Sha Tsui Properties Limited (尖沙咀置業集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 247)

“%”

per cent.

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

Hong Kong, 7 December 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.