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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 THE SUPPLEMENTAL LEASE AGREEMENT

The Board is pleased to announce that on 4 November 2022, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant, and the Landlord, as landlord, entered into the Supplemental Lease Agreement in respect of the tenancy of the Premises for surrendering a portion of the leasing area with effect from 1 March 2023 and for extending the tenancy term from 26 January 2028 and ending on 25 January 2031. The Existing Premises have been leased by AEON GD from the Landlord since January 2013 for operating its retail businesses therein under the Existing Lease Agreement.

Pursuant to HKFRS 16, the entering into of the Supplemental Lease Agreement by AEON GD as tenant will require the Group to derecognise the right-of-use asset arising from the partial surrender of the leasing area and to recognise the additional right-of-use asset arising from the extension of the tenancy term. Therefore, the entering into of the Supplemental Lease Agreement will be regarded as a disposal and an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets derecognised and recognised by the Group under the Supplemental Lease Agreement in respect of the disposal and the acquisition amounted to approximately RMB8.6million and approximately RMB32.2million respectively.

Since the Supplemental Lease Agreement involves both a disposal and an acquisition, pursuant to Rule 14.24 of the Listing Rules, the transactions under the Supplemental Lease Agreement are classified by reference to the larger of the disposal or the acquisition. As the highest applicable percentage ratio as defined under the Listing Rules in respect of the acquisition of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the consideration under the Supplemental Lease Agreement is more than 5% and below 25%, the entering into of the Supplemental Lease Agreement 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 4 November 2022, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant, and the Landlord, as landlord, entered into the Supplemental Lease Agreement in respect of the tenancy of the Premises for surrendering a portion of the leasing area with effect from 1 March 2023 and for extending the tenancy term from 26 January 2028 and ending on 25 January 2031. The

Existing Premises have been leased by AEON GD from the Landlord since January 2013 for operating its retail businesses therein under the Existing Lease Agreement.

The Supplemental Lease Agreement

The principal terms of the Supplemental Lease Agreement are as follow:

Date:	4 November 2022
Parties:	(a) 廣東永旺天河城商業有限公司(“AEON GD”), as tenant; and (b) 廣州星鋈置業有限公司(the “Landlord”), as landlord
Premises:	中國廣東省廣州市海珠區榕景路 107 号 (107 号) -284 房,樂鋒廣場 B2, B02-08 商鋪 (English translation for reference: Shop No. B02-08, B2 Rock Square, No.107 (No.107) -Room 284 Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, China)
Partial Surrender:	From 1 March 2023, AEON GD shall surrender a portion of the Existing Premises to the Landlord so that the leasing area shall be reduced by approximately 2,220m ² and the total rent shall be reduced by approximately RMB11.38million for the remainder of the original tenancy term.
Restricted zone:	In respect of such portion of area adjacent to the Premises, the Landlord agrees that where the adjacent area is used for any commercial purposes, the Landlord shall ensure that (i) the height of the items displayed in the area shall not exceed 1.3 meters, (ii) there should be a 3.5-meter passage between items displayed and AEON GD’s shop front and, at the same time, the brands displayed therein shall not be the same as those in the AEON GD’s store
Extended term	An additional period of 3 years from 26 January 2028 and ending on 25 January 2031 (both dates inclusive)
Rent and management fee for extension term:	The total rent (including tax) payable under the Supplemental Lease Agreement in respect of the extension term is approximately RMB37million (exclusive of management fee, other charges, and outgoings) which is subject to turnover rent as may be imposed pursuant to the terms and conditions of the Supplemental Lease Agreement. The total management fee (including tax) payable under the Supplemental Lease Agreement during the extension term is approximately RMB3 million which is inclusive of air-conditioning fees. The rent and management fee under the Supplemental Lease Agreement have been determined after arm’s length negotiations between AEON GD and the Landlord, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises and the existing rental under the Existing Lease Agreement.
Usage:	For the purpose of AEON GD’s operation of a retail store in the name of “AEON” and “永旺”
Deposit:	In the sum of RMB2.23million and by way of bank guarantee

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 its ultimate beneficial owner(s) are Independent Third Parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE LEASE RENEWAL AGREEMENT

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 expanding its store network and market shares.

The Existing Premises have been leased by AEON GD from the Landlord since January 2013 for operating its retail businesses therein under the Existing Lease Agreement. The partial surrender of the Premises for the remainder term of the Existing Lease Agreement may allow AEON GD to enhance its operation efficacy in the Premises. As the Existing Lease Agreement will expire on 25 January 2028, AEON GD and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

The Board considers that the terms of the Supplemental Lease Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Supplemental Lease Agreement is in ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the entering into of the Supplemental Lease Agreement as tenant by AEON GD will require the Group to derecognize the right-of-use asset arising from the partial surrender of the leasing area and to recognise the additional right-of-use asset arising from the extension of the tenancy term. Therefore, the entering into of the Supplemental Lease Agreement will be regarded as a disposal and an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets derecognized and recognised by the Group under the Supplemental Lease Agreement in respect of the disposal and the acquisition amounted to approximately RMB8.6million and approximately RMB32.2million.

Since the Supplemental Lease Agreement involves both a disposal and an acquisition, pursuant to Rule 14.24 of the Listing Rules, the transactions under the Supplemental Lease Agreement are classified by reference to the larger of the disposal or the acquisition. As the highest applicable percentage ratio as defined under the Listing Rules in respect of the acquisition of right-of-use asset recognised by the Group pursuant to HKFRS 16 based on the consideration under the Supplemental Lease Agreement is more than 5% and below 25%, the entering into of the Supplemental Lease Agreement 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.

DEFINITIONS

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

“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
“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 Lease Agreements”	the existing lease agreement dated 8 June 2012 entered into by AEON GD and the Landlord in respect of the Existing Premises, as amended and supplemented by seven supplemental agreements dated 13 December 2012, 19 December 2012, 20 November 2012, 07 January 2013, 31 January 2013, 18 October 2013 and 02 December 2013 respectively
“Existing Premises”	中國廣東省廣州市海珠區榕景路 107 号 (107 号) -284 房,樂鋒廣場 B2, B02-08 商鋪(English translation for reference: Shop No. B02-08, B2 Rock Square, No.107 (No.107) -Room 284 Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, China)
“Group”	the Company and its subsidiaries
“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”	廣州星鋳置業有限公司, a company incorporated in the PRC which is an indirect wholly owned subsidiary of CapitaLand China Trust, the units of which are listed on the Singapore Exchange Securities Trading Limited.

“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”	中國廣東省廣州市海珠區榕景路 107 号（107 号）-284 房, 樂鋒廣場 B2, B02-08 商舖 (English translation for reference: Shop No. B02-08, B2 Rock Square, No.107 (No.107) -Room 284 Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, China)
“RMB”	renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the shares in the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Agreement”	The Supplemental Lease Agreement dated 4 November 2022 in respect of the Premises entered into by AEON GD and the Landlord
“%”	per cent.

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

Hong Kong, 4 November 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.