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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 AGREEMENTS

The Board is pleased to announce that on 1 December 2022, each of AEON GD and AEON SC entered into the Supplemental Lease Agreements with the Landlord in respect of the tenancies of the Premises I and II for extending the respective tenancy terms from 1 December 2022 and ending on 30 November 2025. AEON GD and AEON SC have been occupying the Premises I and II since 14 November 2016 and 1 December 2019 respectively for operating its warehouse to support AEON GD and AEON SC's retail businesses under the Existing Lease Agreements.

Pursuant to HKFRS 16, the entering into of the Supplemental Lease Agreements by AEON GD and AEON SC as tenants will require the Group to recognise the additional right-of-use assets arising from the extension of the tenancy terms. Therefore, the entering into of the Supplemental Lease Agreements will be regarded as an acquisition of assets by the Group under the Listing Rules. The aggregated values of the right-of-use assets recognised by the Group under the Supplemental Lease Agreements amounted to approximately RMB20.2million.

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 is more than 5% and below 25%, the entering into of the Supplemental Lease Agreements 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 1 December 2022, each of AEON GD and AEON SC entered into the Supplemental Lease Agreements with the Landlord in respect of the tenancies of the Premises I and II for extending the tenancy terms from 1 December 2022 and ending on 30 November 2025. AEON GD and AEON SC have been occupying the Premises I and II since 14 November 2016 and 1 December 2019 respectively for operating its warehouse to support AEON GD and AEON SC's retail businesses under the Existing Lease Agreements.

The Supplemental Lease Agreements

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

The Supplemental Lease Agreement by AEON GD

Date:	1 December 2022
Parties:	(a) AEON GD, as tenant; and (b) the Landlord, as landlord
Premises I:	中國廣東省普洛斯順德陳村物流園 A2 庫 2-4 號單元以及 1 號單元部分面積 (English translation for reference: Units 2-4 and portions of Unit 1, A2 Warehouse, Logistic Park, Chencun, Shunde GLP, Guangdong Province, China)
Extended term	A period of 3 years from 1 December 2022 and ending on 30 November 2025 (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 RMB18.8million (exclusive of management fee, other charges, and outgoings). The total management fee (including tax) payable under the Supplemental Lease Agreement during the extension term is approximately RMB8.2 million. 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 Agreements.
Usage:	For the usage as a warehouse
Deposit:	In the sum of RMB1.07million

The Supplemental Lease Agreement by AEON SC

Date:	1 December 2022
Parties:	(c) AEON SC, as tenant; and (d) the Landlord, as landlord
Premises II:	中國廣東省普洛斯順德陳村物流園 A2 庫 1 號單元部分面積(English translation for reference: portions of Unit 1, A2 Warehouse, Logistic Park, Chencun, Shunde GLP, Guangdong Province, China)
Extended term	A period of 3 years from 1 December 2022 and ending on 30 November 2025 (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 RMB4.15million (exclusive of management fee, other charges, and outgoings). The total management fee (including tax) payable under the Supplemental Lease Agreement during the extension term is approximately RMB1.80million. The rent and management fee under the Supplemental Lease Agreement have been determined after arm's length negotiations

between AEON SC 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 Agreements.

Usage: For the usage as a warehouse
Deposit: In the sum of RMB0.22million

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 operating businesses of logistics management and related consultant service. 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 procure merchandise from its suppliers for onward sale to its customers on a daily basis. Centralized warehouse allows a better logistics arrangement with the Group's suppliers over merchandise deliveries and post-delivery processing. Together with refined transportation arrangements, it may enable the Group to optimize the sales floor to backyard ratio in its retail stores and thus enhance the Group's businesses and customer services performances.

The Premises I and II have been leased by AEON GD and AEON SC from the Landlord since 14 January 2016 and 1 December 2019 respectively for operating its warehouse therein under the Existing Lease Agreements. As the Existing Lease Agreements will expire on 30 November 2022, AEON GD, AEON SC and the Landlord have respectively entered into the Supplemental Lease Agreements to extend the terms of the Existing Lease Agreements.

The Board considers that the terms of the Supplemental Lease Agreements are on normal commercial terms and are fair and reasonable and the entering into of the Supplemental Lease Agreements 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 Agreements as tenant by AEON GD and AEON SC will require the Group to recognise the additional right-of-use assets arising from the extension of the tenancy terms. Therefore, the entering into of the Supplemental Lease Agreements will be regarded as an acquisition of assets by the Group under the Listing Rules. The aggregated values of the right-of-use assets recognised by the Group under the Supplemental Lease Agreements amounted to approximately RMB20.2million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the acquisition of right-of-use asset under the Supplemental Lease Agreements recognised by the Group pursuant to HKFRS 16 is more than 5% and below 25%, the entering into of the Supplemental Lease Agreements 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 Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“AEON SC”	永旺華南商業有限公司(AEON South China Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of 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 22 December 2016 entered into by AEON GD and the Landlord in respect of the Premises I, as amended and supplemented by four supplemental agreements dated 16 September 2017, 7 June 2018, 7 September 2018 and 10 May 2022, respectively; and the existing lease agreement dated 1 December 2019 entered into by AEON SC and the Landlord in respect of the Premises II
“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”	佛山普豐倉儲經營有限公司, a company incorporated in the PRC which is owned as to 60% by CLH 25 (HK) Limited (which is 100% owned by GLP China Holdings Limited, incorporated in Hong Kong as a public limited company) and as to 40% by 佛山順德通物流城有限公司 (which is beneficially owned by 陈健涛) 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 I”	中國廣東省普洛斯順德陳村物流園 A2 庫 2-4 號單元以及 1 號單元部分面積(English translation for reference: Units 2-4 and portions of Unit 1, A2 Warehouse, Logistic Park, Chencun, Shunde GLP, Guangdong Province, China)
“Premises II”	中國廣東省普洛斯順德陳村物流園 A2 庫 1 號單元部分面積 (English translation for reference: portions of Unit 1, A2 Warehouse, Logistic Park, Chencun, Shunde GLP, 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 Agreements”	The Supplemental Lease Agreement dated 1 December 2022 in respect of the Premises I entered into by AEON GD and the Landlord and the Supplemental Lease Agreement dated 1 December 2022 in respect of the Premises II entered into by AEON SC and the Landlord
“%”	per cent.

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

Hong Kong, 1 December 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.