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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 TENANCY AGREEMENT

The Board is pleased to announce that on 12 May 2023, the Company, as tenant, received the confirmation from the Landlord of the duly accepted Tenancy Agreement (which was issued by the Company on 24 April 2023) in respect of the tenancy of the Premises for a term of three years commencing from 26 April 2023 and expiring on 25 April 2026 for operating its retail businesses therein.

Pursuant to HKFRS 16, following the conclusion of the Tenancy Agreement, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Tenancy Agreement 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 Tenancy Agreement amounted to approximately HK\$21.5 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Tenancy Agreement 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 Tenancy Agreement 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 12 May 2023, the Company, as tenant, received the confirmation from the Landlord of the duly accepted Tenancy Agreement (which was issued by the Company on 24 April 2023) in respect of the tenancy of the Premises for a

term of three years commencing from 26 April 2023 and expiring on 25 April 2026 (both days inclusive) for operating its retail businesses therein.

The Tenancy Agreement

The principal terms of the Tenancy Agreement are as follow:

Date:	Signed by the Company on 24 April 2023
Parties:	the Company, as tenant; and the Landlord, as landlord
Premises:	The Whole of Lower Ground 1 and the Whole of Lower Ground 2, The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.
Term:	Three years commencing on 26 April 2023 and expiring on 25 April 2026 (both days inclusive).
Usage:	For use only by the Company as a retail shop under the trade name of “AEON” and/or “AEON Supermarket” and for the business operation by the Company’s licensees and any change in the nature of business carried out at the Premises is to be approved by the Landlord in advance (such approval shall not be unreasonably withheld).
Total consideration payable:	<p>The total base rent payable under the Tenancy Agreement during the term is approximately HK\$24.2 million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Tenancy Agreement 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.</p> <p>The consideration will be satisfied by internal resources of the Group.</p>
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 Tenancy Agreement) shall be payable in arrears.
Deposit:	Approximately HK\$2.9 million which was partly transferred from the Existing Tenancy as the Deposit paid by the Company under the Tenancy Agreement and partly paid in cash by the Company on signing of the Tenancy Agreement.

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 a limited liability company incorporated under the laws of Hong Kong which is wholly-owned by Asian East Limited, a company incorporated in the British Virgin Islands. To the best knowledge, information and belief of the Directors, (i) the principal activities of the Landlord is real estate investment and leasing, and (ii) based on publicly available information, The ONE is owned by Ms. Chan Hoi Wan (wife of Mr. Joseph Lau Luen Hung).

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

The principal business of the Group is the operation of retail businesses through chain stores under the trade names of "AEON STYLE", "AEON", "AEON SUPERMARKET" and "DAISO JAPAN" 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 Tenancy Agreement, the Company has been occupying the Premises as tenant under the Existing Tenancy and has been operating one of its retail stores therein, being part of the Group's principal business, since 2011. As the Existing Tenancy will expire on 25 April 2023, the Tenancy Agreement with a term up to 25 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 Tenancy Agreement, 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 Tenancy Agreement 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 Tenancy Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Tenancy Agreement 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 Tenancy Agreement, the Company shall recognise the Premises as a right-of-use asset. Therefore, the transaction contemplated under the Tenancy Agreement 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 Tenancy Agreement amounted to approximately HK\$21.5 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Tenancy Agreement 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 Tenancy Agreement 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.

DEFINITIONS

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

“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 Tenancy”	the existing tenancy agreement entered into between the Company as tenant and the Landlord as landlord on 13 July 2020 in respect of the tenancy of the Premises for a term up to 25 April 2023
“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”	The One Property Limited, a company incorporated in Hong Kong with limited liability, being landlord of the Premises
“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”	The Whole of Lower Ground 1 and the Whole of Lower Ground 2, The ONE, 100 Nathan Road, Tsim Sha Tsui, 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
“Tenancy Agreement”	the Tenancy Agreement issued by the Company as tenant on 24 April 2023 in respect of the tenancy of the Premises
“%”	per cent.

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

Hong Kong, 12 May 2023

As at the date of this announcement, the Executive Directors are Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Mr. Isei Nakagawa, Mr. Makoto Fukuda, Mr. Toshiya Goto and Mr. Hiroyuki Inohara; and the Independent Non-executive Directors are Mr. Chow Chi Tong and Mr. Hideto Mizuno and Ms. Shum Wing Ting.