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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)**

### **MAJOR TRANSACTION IN RELATION TO THE SUPPLEMENTAL LEASE AGREEMENT**

The Board is pleased to announce that on 29 December 2023, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant, and the Landlord, as landlord, entered into the Supplemental Lease Agreement to surrender a portion of the leasing area under the Existing Lease Agreement with effect from 1 March 2024 and to extend the tenancy term of the Premises from 23 January 2025 and ending on 22 January 2034. AEON GD has been operating its retail businesses in the Existing Premises under the Existing Lease Agreement since 23 January 2010.

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 RMB1.15 million and approximately RMB55.60 million 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 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 25% or more but is less than 100%, the entering into of the Supplemental Lease Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge of the Directors, no Shareholders has material interest in the Supplemental Lease Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting at a general meeting of the Company for approving the same if the Company were to convene such a general meeting. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Supplemental Lease Agreement. As the Company has obtained written approval from AEON Co., which holds 155,760,000 issued ordinary shares of the Company (representing 59.91% of its entire share capital as at the date of this announcement) in respect of the Supplemental Lease Agreement, the Company is exempted from convening a general meeting to approve the Supplemental Lease Agreement and the transaction contemplated thereunder.

A circular of the Company containing, among other things, further information on the Supplemental Lease Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 17 January 2024.

## **INTRODUCTION**

The Board is pleased to announce that on 29 December 2023, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant, and the Landlord, as landlord, entered into the Supplemental Lease Agreement to surrender a portion of the leasing area under the Existing Lease Agreement with effect from 1 March 2024 and to extend the tenancy term of the Premises from 23 January 2025 and ending on 22 January 2034. AEON GD has been operating its retail businesses in the Existing Premises under the Existing Lease Agreement since 23 January 2010.

## **THE SUPPLEMENTAL LEASE AGREEMENT**

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

Date:	29 December 2023
Parties:	(a) AEON GD, as tenant; and (b) the Landlord, as landlord
Existing Premises:	Portions of the commercial property in Basement 1 and on the Ground Floor, Sun City Mall, No. 1811 & 1813 North Guangzhou Avenue, Baiyun District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市白雲區廣州大道北1811、1813號嘉裕太陽城廣場負一層及首層部分商業物業)

Partial Surrender:

AEON GD shall surrender the portions of commercial property on the Ground Floor of the Existing Premises (“**Surrendered Portions**”) to the Landlord on 1 March 2024 and, for this purpose, shall cease its businesses therein after 24 February 2024 and remove therefrom all movable shelves, merchandise and equipment but shall not be required to dismantle the fixed installations (the “**Partial Surrender**”).

During the removal period from 25 February 2024 to 29 February 2024, AEON GD doesn’t need to pay rent in respect of the Surrendered Portion but is responsible for the management fees and other outgoings.

After the Partial Surrender, the unit rates for rent and management fees in respect of the remaining portions of the Existing Premises (i.e. the Premises), starting from 1 March 2024, is reduced for the remainder term of the Existing Lease Agreement. AEON GD’s lease in respect of the remaining portions of the Existing Premises is extended by the Extended term under the Supplemental Lease Agreement.

Prior to the Partial Surrender, AEON GD has licensed certain areas in the Surrendered Portion for the use by three of its licensees at payment by each of them the respective license fees and for the respective license periods up to the original expiry date of the Existing Lease Agreement. AEON GD’s licence agreements with the three licensees contain terms for AEON GD to terminate the respective licence agreement at the expiry or early termination of AEON GD’s lease with the Landlord without making any compensation. AEON GD has agreed with the Landlord to terminate the respective licences with the three licensees on 29 February 2024 whereas the Landlord agrees to procure sub-tenancies of the same terms and locations as those of the respective licence agreements to be signed with the respective licensees to avoid any unnecessary disputes.

After termination of the licence agreements with the three licensees, AEON GD will receive no further license fees from the three licensees for the remainder of the term of the Existing Lease Agreement. Since the areas licensed to three licensees represents only approximately 23% of the Surrendered Portion, the total license fees for the remainder of the term of the Existing Lease Agreement is less than the aggregated amounts of (i) the total rent and management fee payable in respect of the Surrendered Portion for the same period under the Existing Lease Agreement and (ii) the total savings arising from the reduced unit rates for rent and management fees payable in respect of the remaining portions of the Existing Premises for the same period under the Existing Lease Agreement. As such, the Partial Surrender and the arrangement for the three licensees are in the interests of the Company's shareholders.

Extended term: An additional period from 23 January 2025 and ending on 22 January 2034 (both dates inclusive) in respect of the Premises

Premises: Portions of commercial property in Basement 1, Sun City Mall, No. 1811 & 1813 North Guangzhou Avenue, Baiyun District, Guangzhou City, Guangdong Province, China\* (中國廣東省廣州市白雲區廣州大道北1811、1813號嘉裕太陽城廣場負一層部分商業物業)

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 RMB77.48 million (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 RMB24.85 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 Agreement.

The consideration will be satisfied by internal resources of the Group.

Renovation & Rent Free: AEON GD will carry out its renovation in the Premises (without closing the entire Premises altogether) within 2 years from the date of the Supplemental Lease Agreement. The renovation proposal and its details shall be mutually agreed to by the parties. The Landlord agrees to grant AEON GD a rental free renovation period of 2 months from March 2025 to April 2025 in the total sum of approximately RMB1.4 million which will not be affected by the commencement or completion date of the renovation work. During renovation, AEON GD doesn't need to pay rent but is responsible for the management fees and other outgoing. Should renovation work be not commenced within two years, AEON GD shall fully refund to Landlord the rental free in respect of the rent-free period enjoyed.

Early Termination: After 72 months from 23 January 2025, i.e. after 23 January 2031, AEON GD shall be entitled to give six months' notice to the Landlord to terminate the lease without any compensation to the Landlord provided that AEON GD shall not have committed any breach of the provisions of the lease.

Deposit: In the sum of RMB1.25 million and by way of bank guarantee to be submitted within 60 days after signing of the Supplemental Lease Agreement

Freight elevators, escalator and travelator: Prior to 23 January 2025, the Landlord shall at its own costs conduct one full scope inspection and maintenance service to the two freight elevators, escalator and travelator designated for the exclusive use by AEON GD to ensure that these facilities are operating properly throughout the extended term.

Additional signages: The Landlord agrees to convert a certain space into a wall structure on or before 1 March 2024 or as otherwise agreed upon by both parties so that AEON GD may install its light-emitting logo or signage, which details shall be submitted to the Landlord for approval in advance.

Other terms: The parties have agreed to other lease-operational terms relating to, among others, entrance to the Premises, responsibilities for merchandise/service provided, upkeeping of facilities installed, advance notice on suspension or change of business hours, interruption to others, abatement of rents, warranty and compensations and late payment of fees.

## **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, development, leasing and agency services.

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 SUPPLEMENTAL LEASE 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.

AEON GD has been operating its retail businesses in the Existing Premises since 23 January 2010 under the Existing Lease Agreement. The Partial Surrender of the commercial property on the Ground Floor of the Existing Premises for the remainder term of the Existing Lease Agreement would lead to a decrease in the total lease area and in turn a reduction in the scale of the business operation in the Premises. However, the Partial Surrender is expected to allow AEON GD to enhance its operation efficacy in the Premises (by streamlining and consolidating the Group's efforts on parts of the retail store/business with better historical performance) and would have no material effect on the overall operation of the Company's retail business. As the Existing Lease Agreement will be terminated on 22 January 2025, AEON GD and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

The terms of the Supplemental Lease 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 by the Group under the Existing Lease Agreements. The entering into of the Supplemental Lease Agreement is necessary for the operation of the retail businesses of the Group and in the ordinary and usual course of business of the Group. Therefore, 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 RMB1.15 million and approximately RMB55.60 million.

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A circular containing, among other things, further information regarding the Supplemental Lease Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 17 January 2024.

## DEFINITIONS

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

“AEON Co”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“AEON GD”	Guangdong AEON Teem Co., Ltd. (廣東永旺天河城商業有限公司), a company incorporated in the PRC and owned as to 65% by the Company

“AEON Group”	AEON Co and its subsidiaries and, unless the context require otherwise, excluding members of the Group
“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
“controlling shareholder”	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 31 March 2009 entered into by AEON GD and the Landlord in respect of the leasing of the Existing Premises from 21 January 2010 to 22 January 2025 (both days inclusive) for a total rent of approximately RMB113.3 million and total management fee of RMB49.9 million for AEON GD’s operation of a retail store in the name of “AEON” and “永旺” (as amended and supplemented by a memorandum and three supplemental agreements dated 29 August 2009, 10 March 2010, 21 April 2011 and 1 March 2013 respectively)
“Existing Premises”	portions of the commercial property in Basement 1 and on the Ground Floor, Sun City Mall, North Guangzhou Avenue, Baiyun District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市白雲區廣州大道北嘉裕太陽城廣場負一層及首層部分商業物業) with a total lease area of approximately 13,772.8 square meters
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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/are third party(ies) independent of the Group and its connected persons in accordance with the Listing Rules

“Landlord”	Guangzhoushi Jiayu Real Estate Development Co., Ltd.* (廣州市嘉裕房地產發展有限公司), a company incorporated in the PRC which is wholly owned subsidiary of Guangzhoushi Jiasheng Chuangfu Investment Co., Ltd.* (廣州市嘉盛創富投資有限公司), a company incorporated in the PRC whose shareholders are Li Yu Zhen* (李玉珍), holding 85.46%, and Li Gen Zhang* (李根長), holding 14.54%
“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”	portions of commercial property in Basement 1, Sun City Mall, No. 1811 & 1813 North Guangzhou Avenue, Baiyun District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市白雲區廣州大道北1811、1813號嘉裕太陽城廣場負一層部分商業物業) with a total lease area of approximately 11,720.8 square meters
“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 29 December 2023 in respect of the Premises entered into by AEON GD and the Landlord
“Surrendered Portion”	The portions of commercial property on the Ground Floor of the Existing Premises to be surrendered by AEON GD to the Landlord on 1 March 2024
“%”	per cent.

\* *the English names of the entities incorporated in the PRC or addresses in the PRC are translation of their respective Chinese company names or addresses for the purpose of identification only*

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

Hong Kong, 29 December 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, Mr. Hideto Mizuno and Ms. Shum Wing Ting.*