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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE RENEWAL OFFER TO LEASE II

The Board is pleased to announce that on 9 May 2024, the Company, as tenant, signed the conditional Renewal Offer for renewal of the tenancy of the Premises for a fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive). The Renewal Offer is subject to the execution by the Agent, as agent of the Landlord. The Premises have been leased by the Company since 1 June 2012 for operating its retail businesses therein.

Pursuant to HKFRS 16, the entering into of the Renewal Offer by the Company as tenant will require the Group to recognise the right-of-use asset arising from the extension of the tenancy term. Therefore, the entering into of the Renewal Offer will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the Renewal Offer amounted to approximately HK\$243.8 million.

As the highest applicable percentage ratio under the Listing Rules in respect of the acquisition of right-of-use asset to be recognised by the Group pursuant to HKFRS 16 based on the consideration under the Renewal Offer is more than 100%, the entering into of the Renewal Offer constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held by the Company to seek the Shareholders' approval of the Renewal Offer and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Renewal Offer and the transactions contemplated thereunder; and (ii) the notice of the EGM will be dispatched to the Shareholders on or before 16 May 2024 in accordance with the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 9 May 2024, the Company, as tenant, signed the conditional Renewal Offer for renewal of the tenancy of the Premises for a fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive). The Premises have been leased by the Company since 1 June 2012 for operating its retail businesses therein.

The Renewal Offer is subject to the execution by the Agent, as agent of the Landlord. After execution, the Renewal Offer shall be legally binding between the Company and the Agent, as agent of the Landlord, until superseded by the execution of a formal lease, for the renewal of tenancy in respect of the Premises on the terms and conditions as set out in the Renewal Offer.

THE RENEWAL OFFER

The principal terms of the Renewal Offer are as follows:

Date:	Signed by the Company on 9 May 2024
Parties:	(a) the Company, as tenant; and (b) the Agent, as agent for the Landlord
Premises:	All those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong
Handover condition:	On an “as-is” condition together with the Landlord’s fixtures and fittings
Term of tenancy:	A fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive)
Rent for the term:	The total basic rent payable under the Renewal Offer in respect of the term is approximately HK\$314.6 million (exclusive of government rates, service charges, other charges, and outgoings). The monthly basic rent payable for the 1st to 3rd year of the term of tenancy is HK\$4,330,000 and that payable for the 4th to 6th year of the term of tenancy is HK\$4,830,000. Based on the above, the annual basic rent for the 1st to 3rd year of the term of tenancy is approximately HK\$52.0 million and for the 4th to 6th year of the term of tenancy is approximately HK\$58.0 million. Additional turnover rents (a) being 8% of the monthly gross turnover less the monthly basic rent (“ATRA”); and (b) being 3% of the monthly gross turnover of the Company’s permitted licensees’ food and beverage business (“ATRB”) are payable by the Company throughout the whole fixed term.

The rent (including the basic rent and additional turnover rent) under the Renewal Offer 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 (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises and the existing rental under the Existing Lease Agreement. In determining the prevailing market rent for comparison, the Company had conducted market research, such as obtaining publicly available lease transactions information of properties of similar usage within the Tsuen Wan district. As the rental unit rates payable by the Company throughout the term of the tenancy under the Renewal Offer are within the range of market rent levels in the referenced lease transactions considered by the Company, in particular taking into account the prime location of the Premises (being situated near the Tsuen Wan West station and surrounded by a dense residential area) and the connection of the Premises to the extensive foot bridge system in the district, the Company is of the view that the rent payable under the Renewal Offer is no less favourable to the Company compared to prevailing market rent. Although the rental unit rate for the first three years of the term of tenancy under the Renewal Offer represents an increase of approximately 14.6% as compared to that for the last three years under the Existing Lease Agreement, the increment rate for rental unit rate for the 4th to 6th year term of tenancy under the Renewal Offer are in the same range as that under the Existing Lease Agreement. Taking into account all the above factors and having also considered the development of various residential properties in the vicinity of the Premises as compared to the situation when the Existing Lease Agreement was entered into 12 years ago and in particular that the rental unit rates throughout the entire term of tenancy under the Renewal Offer are within the range of market rent in the referenced lease transactions considered by the Company, the Company is of the view that the rent is fair and reasonable and on normal commercial terms.

The basic rent is payable monthly in advance on the 1st day of each calendar month. The ATRA and ATRB are calculated separately on monthly basis and payable by the Company in arrears by the 30th day of the immediately following calendar month provided that no ATRA is payable for deficit results (i.e. if 8% of the monthly gross turnover does not exceed the monthly basic rent) and which shall not be carried over to the next month. Within four months from the end of each calendar year or sooner determination of the term of tenancy, the Company shall provide the Landlord with a statement certified by its auditors as to the actual amount of the Company's turnover for the relevant year. If the actual sum paid by the Company shall exceed or be less than the additional turnover rent calculated based on the said statement, any excess shall be refunded by the Landlord and any shortfall shall be paid by the Company within thirty (30) days of the Landlord's receipt of the said statement.

The rent payable under the Renewal Offer will be satisfied by internal resources of the Group.

Service charges:	HK\$106,673.00 per month payable to the Landlord monthly in advance on the 1st day of each calendar month (subject to periodic reviews by the Landlord or the manager of the Building)
Government rates:	HK\$181,000.00 per month payable to the Landlord monthly in advance on the 1st day of each calendar month (subject to adjustment by the Hong Kong government)
Rent-free periods:	Three (3) months and fifteen (15) days from 1 June 2024 to 15 September 2024 (both days inclusive) but the Company shall continue to pay government rates, service charges and all other outgoings, if any, payable during this rent-free period
Usage:	For the Company's operation of general merchandise store in the name of "AEON" and/or "AEON STYLE"
Deposit:	A cash deposit in the sum of approximately HK\$9.9 million, a fitting out deposit in the sum of approximately HK\$0.4 million and a bank guarantee in the sum of approximately HK\$4.9 million.
The lease:	The lease of the Premises shall be in the Landlord's standard <i>pro forma</i> lease and shall contain the terms and conditions of the Renewal Offer. Should the Company fail to execute the said lease, the Landlord may choose to continue with the binding Renewal Offer.
Stamp duty:	Stamp duty arising out of this Renewal Offer and the lease shall be borne and paid by the parties equally

Condition precedent: The Renewal Offer shall be conditional upon the Company's obtainment of the Shareholders' approval and compliance with all applicable requirements under the Listing Rules.

PROPOSED LEASE

The principal terms of the proposed lease in respect of the Premises are consistent with that of the Renewal Offer and are summarised as follows:

Parties: (a) the Company, as tenant; and
(b) the Agent, as agent for the Landlord

Term of tenancy: A fixed term of six (6) years from 1 June 2024 to 31 May 2030 (both days inclusive)

Premises: All those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong

Rent for the term: The total basic rent payable under the Renewal Offer in respect of the term is approximately HK\$314.6 million (exclusive of government rates, service charges, other charges, and outgoings).

Additional turnover rents (a) being 8% of the monthly gross turnover less the monthly basic rent; and (b) being 3% of the monthly gross turnover of the Company's permitted licensees' food and beverage business are payable by the Company throughout the whole fixed term

Deposit: A cash deposit in the sum of approximately HK\$9.9 million, a fitting out deposit in the sum of approximately HK\$0.4 million and a bank guarantee in the sum of approximately HK\$4.9 million.

Usage: For the Company's operation of general merchandise store in the name of "AEON" and/or "AEON STYLE"

INFORMATION OF THE PARTIES

The Group is principally engaged in the operation of retail 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 Landlord, the Agent and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE RENEWAL OFFER

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 lease retail stores for operating its retail businesses 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 expending its store network and market shares.

The Premises have been leased by the Company since 1 June 2012 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 31 May 2024, the Company and the Agent (as agent for the Landlord) have conditionally entered into the Renewal Offer to extend the lease of the Premises to 31 May 2030.

The terms of the Renewal Offer, including the rental charge, were determined after arm’s length negotiations between the parties and with reference to the prevailing market price for comparable properties (i.e. similar size, facilities/amenities and quality) in the vicinity of the Premises and the existing rental under the Existing Lease Agreement. The entering into of the Renewal 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 Renewal Offer are on normal commercial terms and are fair and reasonable and the entering into of the Renewal Offer 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 Renewal Offer by the Company as tenant will require the Group to recognise the right-of-use asset arising from the extension of the tenancy term. Therefore, the entering into of the Renewal Offer will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of the right-of-use asset to be recognised by the Group under the Renewal Offer amounted to approximately HK\$243.8 million.

As the highest applicable percentage ratio under the Listing Rules in respect of the acquisition of right-of-use asset to be recognised by the Group pursuant to HKFRS 16 based on the consideration under the Renewal Offer is more than 100%, the entering into of the Renewal Offer constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held by the Company to seek the Shareholders’ approval of the Renewal Offer and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Renewal Offer and the transactions contemplated thereunder; and (ii) the notice of the EGM will be dispatched to the Shareholders on or before 16 May 2024 in accordance with the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 29 May 2024 to Friday, 31 May 2024, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Tricor Secretaries Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Tuesday, 28 May 2024.

DEFINITIONS

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

“Agent”	Henderson Leasing Agency Limited (恒基租務代理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 12)
“Board”	the board of Directors
“Building”	the building known as Skyline Plaza at 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong
“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 director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 31 May 2024 (and any adjournment thereof) to consider the resolution relating to the Renewal Offer and the transactions contemplated thereunder

“Existing Lease Agreement”	the existing lease agreement dated 9 April 2015 entered into by the Company and the former landlords (subsequently assigned to the Landlord) in respect of the Premises for a term from 1 June 2012 to 31 May 2024 (both dates inclusive), for the Company’s operation of a retail store and the rent of which consisted of monthly basic rent and additional turnover rent as follows: monthly basic rent of HK\$2,800,000 for 1st to 3rd year; HK\$3,123,026.5 for 4th to 6th year; HK\$3,435,329 for 7th to 9th year and HK\$3,778,862 for 10th to 12th year; and additional turnover rent payable in accordance with the Company’s turnover and at progressive rates, ranging from nil to 5.5% of the different tier of sales turnover amounts, starting from HK\$500 million to HK\$1,100 million.
“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 dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any person or company and their respective ultimate beneficial owner(s) who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Landlord”	Keep Goal Limited (協浩有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 12)
“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”	all those area on Ground Floor, First Floor, Second Floor and Third Floor of the Commercial Podium, Skyline Plaza, 88 Tai Ho Road, Tsuen Wan, New Territories, Hong Kong with a lettable floor area, based on information available to the Company, of approximately 165,749 square feet
“Renewal Offer”	the conditional renewal offer in respect of the renewal of the tenancy of the Premises signed by the Company on 9 May 2024 and subject to execution by the Agent (as agent for the Landlord)
“Shareholder(s)”	holders of the shares in the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 9 May 2024

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