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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 LEASE RENEWAL AGREEMENT**

The Board is pleased to announce that on 8 July 2020, ASC, a wholly-owned subsidiary of the Company, as tenant and the Landlord as landlord entered into the Lease Renewal Agreement in respect of the tenancy of the Premises for a term of eleven years commencing from 27 November 2023 and ending on 26 November 2034. The Existing Premises have been leased by ASC from the Landlord since 2007 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 26 November 2023, ASC and the Landlord have entered into the Lease Renewal Agreement to extend and modify the terms of the Existing Lease Agreement.

Pursuant to HKFRS 16, the entering into of the Lease Renewal Agreement by ASC will require the Group to recognise the Premises as a right-of-use asset. Therefore, the entering into of the Lease Renewal Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset recognised by the Company under the Lease Renewal Agreement amounted to approximately RMB410.5 million.

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 Lease Renewal Agreement is 25% or more but is less than 100%, the entering into of the Lease Renewal Agreement constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Lease Renewal Agreement and the transaction 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 Lease Renewal 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 issued share capital as at the date of this announcement) in respect of the Lease Renewal Agreement, the Company is exempted from convening a general meeting to approve the Lease Renewal Agreement and the transaction contemplated thereunder.

A circular containing, among other things, further information on the Lease Renewal Agreement and the transaction contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 29 July 2020.

## **INTRODUCTION**

The Board is pleased to announce that on 8 July 2020, ASC, a wholly-owned subsidiary of the Company, as tenant and the Landlord as landlord entered into the Lease Renewal Agreement in respect of the tenancy of the Premises for a term of eleven years commencing from 27 November 2023 and ending on 26 November 2034. The Existing Premises have been leased by ASC from the Landlord since 2007 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 26 November 2023, ASC and the Landlord have entered into the Lease Renewal Agreement to extend and modify the terms of the Existing Lease Agreement.

### **The Lease Renewal Agreement**

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

Date:	8 July 2020
Parties:	(a) ASC, as tenant; and (b) the Landlord, as landlord
Premises:	Commercial parts on the 1st to 5th floors, loading area on the 1st floor of the basement and the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District, Huizhou City, PRC
Term:	From 27 November 2023 and ending on 26 November 2034 (both dates inclusive)
Rent and management fee:	The total rent (excluding tax) payable under the Lease Renewal Agreement during the term is approximately RMB585 million exclusive of management fee, other charges and outgoings. The total management fee (excluding tax) payable under the Lease Renewal Agreement during the term is approximately RMB59.95 million. The rent and management fee under the Lease Renewal Agreement have been determined after arm's length negotiations between ASC 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.
Payment terms:	ASC shall pay the monthly rent to the Landlord in advance before the 10th day of each month. If the deadline for payment falls on a public holiday, the rent should be due on the next day following the public holiday.

Deposit: A deposit in the amount equals to 3 times of the sum of the rent and management fee payable in the first month of the term of the Lease Renewal Agreement shall be payable by ASC 30 working days before 27 November 2023.

## **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 development, lease and sell of residential buildings, commercial buildings, business apartments and supporting facilities.

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 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 ASC from the Landlord since 2007 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 26 November 2023, ASC and the Landlord have entered into the Lease Renewal Agreement to extend and modify the terms of the Existing Lease Agreement.

The Board considers that the terms of the Lease Renewal Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Lease Renewal Agreement is 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 Lease Renewal Agreement as tenant by ASC will require the Group to recognise the Premises as a right-of-use asset. Therefore, the entering into of the Lease Renewal Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset recognised by the Company under the Lease Renewal Agreement amounted to approximately RMB410.5 million.

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 Lease Renewal Agreement is 25% or more but is less than 100%, the entering into of the Lease Renewal Agreement constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Lease Renewal Agreement and the transaction 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 Lease Renewal Agreement. 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 issued share capital as at the date of this announcement) in respect of the Lease Renewal Agreement. As such, the Company is exempted from convening a general meeting to approve the Lease Renewal Agreement and the transaction contemplated thereunder.

A circular containing, among other things, further information on the Lease Renewal Agreement and the transaction contemplated thereunder is expected to be despatched to the Shareholders for information purposes in accordance with the Listing Rules on or before 29 July 2020.

## 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
“ASC”	AEON South China Co., Ltd.* 永旺華南商業有限公司, a company incorporated in the PRC with limited liability 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 4 April 2007 entered into by ASC and the Landlord in respect of the Existing Premises, as amended and supplemented by the confirmation dated 6 August 2010 and the supplemental agreements dated 12 May 2011, 27 December 2018, respectively
“Existing Premises”	1st floor of basement and the 1st floor to 5th floor of the commercial podium in the 8th district of Donghu Garden in Huicheng District, Huzhou City, PRC
“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
“Lease Renewal Agreement”	The lease renewal agreement dated 8 July 2020 in respect of the Premises entered into by ASC and the Landlord
“Landlord”	Donghu Estate (Huizhou) Development Co., Ltd.* 東湖房產（惠州）開發有限公司, a company incorporated in the PRC
“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”	Commercial parts on the 1st to 5th floors, loading area on the 1st floor of the basement and the equipment rooms on the 1st and 2nd floor of the basement and on the 6th floor of the commercial building in the 8th district of Donghu Garden in Huicheng District, Huizhou City, PRC
“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
“%”	per cent.

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

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

Hong Kong, 8 July 2020

*As at the date of this announcement, the Executive Directors are Mr. Isei Nakagawa, Mr. Chak Kam Yuen, Mr. Lau Chi Sum Sam, Mr. Takenori Nagashima and Mr. Shinya Hisanaga; the Non-executive Directors are Ms. Yuki Habu and Mr. Akinori Yamashita; and the Independent Non-executive Directors are Ms. Chan Yi Jen Candi Anna, Ms. Lo Miu Sheung, Betty, Mr. Chow Chi Tong and Mr. Hideto Mizuno.*