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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 AGREEMENT

The Board is pleased to announce that on 4 December 2020, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant and the Landlord as landlord entered into the Supplemental Lease Agreement in respect of the tenancy of the Premises for a term of ten years commencing from 1 May 2021 and ending on 30 April 2031. The Existing Premises have been leased by AEON GD from the Landlord since 2009 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 30 April 2021, AEON GD and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

Pursuant to HKFRS 16, the entering into of the Supplemental Lease Agreement by AEON GD will require the Group to recognise the Premises as a right-of-use asset. Therefore, the entering into of the Supplemental Lease 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 Group under the Supplemental Lease Agreement amounted to approximately RMB57 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 Supplemental Lease Agreement is more than 5% and below 25%, the entering into of the Supplemental Lease Agreement 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 4 December 2020, AEON GD, a non-wholly-owned subsidiary of the Company, as tenant and the Landlord as landlord entered into the Supplemental Lease Agreement in respect of the tenancy of the Premises for a term of ten years commencing from 1 May 2021 and ending on 30 April 2031. The Existing Premises have been leased by AEON GD from the Landlord since 2009 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 30 April 2021, AEON GD and the Landlord have entered into the Supplemental Lease Agreement to extend and modify the terms of the Existing Lease Agreement.

The Supplemental Lease Agreement

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

Date:	4 December 2020
Parties:	(a) AEON GD, as tenant; and (b) the Landlord, as landlord
Premises:	中國廣東省佛山市南海區桂城街道燈湖西路 20 號保利商業水城（保利 mall 購物中心）內一、二層舖號 1A000、2A000 商舖 (English translation for reference: Shop No.1A000 & 2A000, first and second floor, Poly Canal Shopping Mall, No.20 Denghuxi Road, Guicheng Street, Nanhai district, FoShan City, Guangdong Province, China)
Term:	From 1 May 2021 and ending on 30 April 2031 (both dates inclusive)
Rent and management fee:	The total rent (including tax) payable under the Supplemental Lease Agreement during the term is approximately RMB80 million exclusive of management fee, other charges and outgoings. The total management fee (including tax) payable under the Supplemental Lease Agreement during the term is approximately RMB20 million which is inclusive of air-conditioning fees. 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.
Payment terms:	AEON GD shall pay the monthly rent to the Landlord in advance before the 10th day of each month.
Rent Free Period	AEON GD shall be granted a rent free renovation period of three months.
Utilities	Landlord shall endeavour to install independent meters in respect of the respective utilities consumed by AEON GD. AEON GD shall pay for the utilities charges according to the actual consumptions measured by the independent meters multiplied by the unit rates charged by the respective authorities and multiplied by a mutually agreed dissipation rate.
Deposit:	A deposit in the amount RMB1,700,000 is payable by AEON GD within sixty working days from the effective date of the Supplemental Lease Agreement by way of bank guarantee.

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 management and related auxiliary services.

“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 5 April 2007 entered into by AEON GD and the Landlord in respect of the Existing Premises, as amended and supplemented by the transfer of contractual rights and obligation agreement dated 31 August 2010 and the supplemental agreements dated 9 July 2008, 13 January 2009, 17 June 2011, 30 December 2011, 4 August 2017 respectively
“Existing Premises”	中國廣東省佛山市南海區桂城街道燈湖西路 20 號保利水城購物中心首層至三層(English translation for reference: First to third floor, Poly Canal Shopping Mall, No.20 Denghuxi Road, Guicheng Street, Nanhai district, FoShan City, Guangdong Province, China)
“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”	保利商業管理有限公司佛山分公司（原名：佛山保利水城商業經營有限公司），a company incorporated in the PRC which is an indirect wholly owned subsidiary of Poly Developments and Holdings Group Co., Ltd., the issued shares of which are listed on the Shanghai Stock Exchange 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”	中國廣東省佛山市南海區桂城街道燈湖西路 20 號保利商業水城（保利 mall 購物中心）內一、二層舖號 1A000、2A000 商舖 (English translation for reference: Shop No.1A000 & 2A000, first and second floor, Poly Canal Shopping Mall, No.20 Denghuxi Road, Guicheng Street, Nanhai district, FoShan City, 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 Agreement”	Lease	The Supplemental Lease Agreement dated 4 December 2020 in respect of the Premises entered into by AEON GD and the Landlord
“%”		per cent.

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

Hong Kong, 4 December 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.