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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 18 August 2023, 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 extending the tenancy term from 1 September 2023 and ending on 31 August 2033. The Premises have been leased by AEON GD from the Landlord since September 2011 for operating its retail businesses therein under the Existing Lease Agreement.

Pursuant to HKFRS 16, the entering into of the Supplemental Lease Agreement by AEON GD as tenant will require the Group to recognise the additional right-of-use asset arising from the extension of the tenancy term of the Premises. Therefore, the entering into of the Supplemental Lease Agreement will be regarded as an acquisition of assets by the Group under the Listing Rules. The value of the right-of-use assets recognised by the Group under the Supplemental Lease Agreement in respect of the acquisition amounted to approximately RMB23.48million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Supplemental Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 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 18 August 2023, 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 extending the tenancy term from 1 September 2023 and ending on 31 August 2033. The Premises have been leased by AEON GD from the Landlord since September 2011 for operating its retail businesses therein under the Existing Lease Agreement.

## The Supplemental Lease Agreement

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

Date:	18 August 2023
Parties:	(a) AEON GD, as tenant; and (b) the Landlord, as landlord
Premises:	中國廣東省廣州市越秀區農林下路 37 號負 1 層 103 房和 104 房 (English translation for reference: Room 103 and Room 104, Basement Level 1, No. 37, Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, China) and commencing on 1 September 2023 up to expiry of the extended term, adding to the Premises 1 new advertising location and a temporary promotion venue
Extended term	An additional period from 1 September 2023 and ending on 31 August 2033 (both dates inclusive)
Rent and management fee for extension term:	<p>The total rent (including tax) payable under the Supplemental Lease Agreement in respect of the extension term is approximately RMB32.3million (exclusive of management fee, other charges, and outgoings) which is subject to turnover rent as may be imposed pursuant to the terms and conditions of the Supplemental Lease Agreement. The total management fee (including tax) payable under the Supplemental Lease Agreement during the extension term is approximately RMB1.9 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.</p> <p>The consideration will be satisfied by internal resources of the Group.</p>
Payment term:	Rent is payable monthly and before the 15 <sup>th</sup> of the next following month. After receipt of rents, Landlord shall timely issue tax invoice, failing which, AEON GD may delay subsequent rental payment until the Landlord issues the tax invoice.
Usage:	For the purpose of AEON GD's operation of a retail store in the name of "AEON" and "永旺"
Rent Free Period	90 days rent free period commencing from the date of erection of hoarding for renovation by AEON GD
Escalator, exclusive freight elevator, sightseeing elevator	<p>The Landlord shall replace the 2 escalators and 1 exclusive freight elevator inside the Premises with brand-new ones and independently bears all costs of replacement and, at the same time, open up the two sightseeing elevators in the Premises.</p> <p>AEON GD is responsible for the electricity charges of the escalators, the electricity charges and daily maintenance of the freight elevator whereas the Landlord is responsible for the daily maintenance, repair costs and the whole-machine update and cost of the escalators, the maintenance cost and the whole-machine update and cost of the exclusive freight elevator and the electricity charges, daily maintenance, repair costs, the whole-machine upgrades and costs of sightseeing elevators.</p>

Deposit:	In the sum of RMB300,000
Early termination	<p>Within the first 72 months of the Extended term, AEON GD may early terminate the tenancy by giving 6 months' advance notice to the Landlord and by paying the Landlord a compensation equivalent to approximately six months' rents whereby the Landlord is entitled to forfeit the Deposit. No other damages or compensation is payable.</p> <p>After the first 72 months, AEON GD may early terminate the tenancy by giving 6 months' advance notice to the Landlord whereby the Landlord is entitled to forfeit the Deposit. No other damages or compensation or remedial payment is payable.</p>
Other terms	the other terms and conditions contained in the Existing Lease Agreement shall remain unchanged and continue to take effect. In case of conflict, the Supplemental Lease Agreement shall prevail.

## **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 leasing, investment consultation, business management, wholesale trade, general retail businesses respectively.

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 expending its store network and market shares.

The Premises have been leased by AEON GD from the Landlord since September 2011 for operating its retail businesses therein under the Existing Lease Agreement. As the Existing Lease Agreement will expire on 31 August 2023, 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 for other retail stores operated by the Group. The entering into of the Supplemental Lease 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 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 recognise the additional right-of-use asset arising from the extension of the tenancy term of the Premises. Therefore, the entering into of the Supplemental Lease Agreement will be regarded as an acquisition of assets by the Group under the Listing Rules. The values of the right-of-use assets recognised by the Group under the Supplemental Lease Agreement in respect of the acquisition amounted to approximately RMB23.48million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Supplemental Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 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.

## **DEFINITIONS**

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

“AEON GD”	廣東永旺天河城商業有限公司(Guangdong AEON Teem Co., Ltd.), a company incorporated in the PRC and owned as to 65% by 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 23 March 2010 entered into by AEON GD and the Landlord in respect of the Premises, as amended and supplemented by five supplemental agreements dated 18 September 2010, 8 May 2011, 1 April 2012, 1 January 2017 and 12 January 2017 respectively

“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”	<p>廣州外海置業投資有限公司 and 廣州匯鯤投資有限公司 are the respective owners of Room 104 and Room 103 of the Premises.</p> <p>廣州外海置業投資有限公司, a company incorporated in the PRC which is owned by 新餘匯泉投資管理中心 (holding 50% , a limited liability partnership registered in PRC and its partners are 劉偉先生 (holding 99%) and 劉達源先生 (holding 1%)) and 廣州佳豪裝飾設計工程有限公司 (holding 50% , a limited liability partnership registered in PRC and its partners are 睦傑鑫先生 (holding 51%) and 劉瑞麗女士 (holding 49%)) .</p> <p>廣州匯鯤投資有限公司, a company incorporated in the PRC which is owned by 劉偉先生 (holding 50%) and 廣州市凌輝房地產開發有限公司 (holding 50%, a company incorporated in PRC which is wholly owned by Soaraway Investments Limited (錦揚投資有限公司) which is incorporated in Hong Kong SAR and in turn a wholly owned by Smooth Noble International Limited, a company incorporated in British Virgin Islands).</p>
“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”	中國廣東省廣州市越秀區農林下路 37 號負 1 層 103 房和 104 房 (English translation for reference: Room 103 and Room 104, basement level 1, No. 37, Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, China) and commencing on 1 September 2023 up to expiry of the extended term, adding to the Premises 1 new advertising location and a temporary promotion venue
“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 18 August 2023 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**  
**Isei NAKAGAWA**  
*Chairman*

Hong Kong, 18 August 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.*