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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 LEASE AGREEMENT**

The Board is pleased to announce that on 26 January 2024, AEON GD, a non-wholly-owned subsidiary of the Company, has received the Transaction Notice that the Lease Transaction has been reached between AEON GD, as lessee, and the Lessor, as lessor, through open market dealing in respect of the lease of the Premises for a term of eleven years and three months commencing from the Commencement Date. The Premises will be leased by AEON GD from the Lessor for operating its retail businesses therein. The parties shall enter into the Lease Agreement accordingly.

Pursuant to HKFRS 16, the entering into of the 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 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 Lease Agreement amounted to approximately RMB14.03 million.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the transaction contemplated under the Lease Agreement based on the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is more than 5% and below 25%, the entering into of the 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 26 January 2024, AEON GD, a non-wholly-owned subsidiary of the Company, has received the Transaction Notice that the Lease Transaction has been reached between AEON GD, as lessee, and the Lessor, as lessor, through open market dealing in respect of the lease of the Premises for a term of eleven years and three months commencing from the Commencement Date. The Premises will be leased by AEON GD from the Lessor for operating its retail businesses therein. The parties shall enter into the Lease Agreement accordingly.

The Lease Agreement

The principal terms of the Lease Agreement are as follows, which were determined by way of open market dealing as per proposal prepared and submitted by AEON GD on 18 January 2024 after taking into account the prevailing market price for comparable premises in the vicinity of the Premises

Parties:	(a) AEON GD, as lessee; and (b) the Lessor, as lessor
Premises:	Shop No.B201, B2 Floor, Canton Tower Shopping Mall, 8 Guangzhou Tower Road, Haizhu District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市海珠區廣州塔路 8 號廣州塔廣場地下二層自編 B201 號商鋪)
Term:	Eleven years and three months from the Commencement Date which shall be the day next following the expiry of six months from the date of actual handover
Handover Date:	The date when the Lessor hands over the Premises to AEON GD in accordance with the terms of the Lease Agreement. The agreed handover date is 31 July 2024.
Rent-free Period:	The period of nine months from the Handover Date during which no rent is payable by AEON GD. Where AEON GD formally commences business during this period, the rent-free period will not be shortened.
Rent and management fee:	The total base rent (including tax) payable under the Lease Agreement during the term is approximately RMB22.5 million (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 Lease Agreement. The total management fee (including tax) payable under the Lease Agreement during the term is approximately RMB8.2 million (inclusive of air-conditioning charges).. The consideration will be satisfied by internal resources of the Group.
Payment term:	Rent is payable monthly. On or before 5 th day of every month, AEON GD shall report its sales turnover in the preceding month. Within 3 working days from receipt of the report, the Lessor shall provide AEON GD with tax invoice corresponding to the sum of the monthly base rent and the amount of turnover rent, if any, payable, AEON GD shall pay the said sum within 5 working days of its receipt of the proper tax invoice but failing receipt of the tax invoice, AEON GD is entitled to postpone payment.
Usage:	For the purpose of AEON GD's operation of a retail store in the name of "AEON" / "永旺"
Deposit:	In the sum of RMB402,120 and by way of bank guarantee
Early termination:	Within the first 60 months from the date of AEON GD's formal business commencement in the Premises, AEON GD may early terminate the tenancy by giving 6 months' advance notice to the Lessor and by paying to the Lessor a compensation equivalent to three times of the average monthly rental amount paid by AEON GD in the last six months prior to the termination and then no other damages or compensation is payable. After the said first 60 months, AEON GD may terminate the tenancy at any time by giving six months' advance notice to the Lessor and no other damages or compensation is payable.

Facilities: The Lessor shall provide for the use by AEON GD during the term: two pairs of escalators, four passengers elevator, two signage on the signage tower, various signage at the southern entrance to the tower, seven directory signage, a garbage disposal site of no less than 20m², air-conditioning system and its installation, a site of not more than 100m² for locating condensing units, staff entrance, priority common loading area, 6 common loading parkings, 2 common freight elevators, storage area of 300m².

INFORMATION OF THE PARTIES

The Group is principally engaged in the operation of general merchandise stores in Hong Kong and the PRC.

The Lessor is principally engaged in property management and related auxiliary services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are Independent Third Parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE 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.

The terms of the Lease Agreement, including the rental charge, were determined after open market dealing as per proposal submitted and prepared by AEON GD after taking into account 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 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 Lease Agreement are on normal commercial terms and are fair and reasonable and the entering into of the 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 Lease Agreement as tenant by AEON GD will require the Group to recognise the Premises as a right-of-use asset. Therefore, the entering into of the 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 Lease Agreement amounted to approximately RMB14.03 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 Agreement is more than 5% and below 25%, the entering into of the 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 Stores Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“Board”	board of Directors
“Commencement Date”	The day when AEON GD commences business operation in the Premises
“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
“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
“Lessor”	Canton Tower Cultural Tourism Development Co., Limited Operating Branch Office* (廣州塔旅游文化發展股份有限公司經營管理分公司), a branch office of Canton Tower Cultural Tourism Development Co., Limited* (廣州塔旅游文化發展股份有限公司), a company incorporated in the PRC which is owned as to 90% by Guangzhou Urban Construction Investment Group Co., Ltd.* (廣州城市建設投資集團有限公司) (which is in turn owned as to 90% by State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government and as to 10% by the Department of Finance of Guangdong Province) and as to 10% by Guangzhou Broadcasting Network*(廣州廣播電視台), all state-owned enterprises.
“Lease Agreement”	The Lease Agreement in respect of the Premises to be entered into by AEON GD and the Lessor on a date to be mutually agreed to by the parties.

“Lease Transaction”	The lease transaction in respect of the Premises as contemplated under the Lease Agreement
“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”	Shop No.B201, B2 Floor, Canton Tower Shopping Mall, 8 Guangzhou Tower Road, Haizhu District, Guangzhou City, Guangdong Province, China* (中國廣東省廣州市海珠區廣州塔路8號廣州塔廣場地下二層自編 B201 號商鋪)
“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
“Transaction Notice”	The Notice dated 26 January 2024 issued by Guangzhou Enterprises Mergers and Acquisitions Services* (廣州產權交易所有限公司) in respect of the Lease Transaction which it organized through open market dealing
“%”	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 NAGAKAWA
Chairman

Hong Kong, 26 January 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. Isei Nagakawa, 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.