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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 16 August 2024, AEON GD, a non-wholly-owned subsidiary of the Company, as lessee and the Lessor as lessor entered into the Lease Agreement in respect of the lease of the Premises for a term of twelve years commencing from the Commencement Date. The Premises will be leased by AEON GD for operating its retail businesses therein.

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 RMB16.2 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 16 August 2024, AEON GD, a non-wholly-owned subsidiary of the Company, as lessee and the Lessor as lessor entered into the Lease Agreement in respect of the lease of the Premises for a term of twelve years commencing from the Commencement Date. The Premises will be leased by AEON GD for operating its retail businesses therein.

The Lease Agreement

The principal terms of the Lease Agreement are as follow:

Date:	16 August 2024
Parties:	(a) AEON GD, as lessee; and (b) the Lessor, as lessor
Premises:	Shop No.B201, Basement 2, Guangzhou K11 Select, No.178 Hanxi Avenue East Road, Panyu District, Guangzhou City, Guangdong Province, China*(中國廣東省廣州市番禺區漢溪大道東路 178 號廣州 K11 Select 負二層 B201 號商鋪)
Term:	Twelve years from the Commencement Date
Rent and management fee:	<p>The total base rent (including tax) payable under the Lease Agreement during the term is approximately RMB25.3 million, which is subject to the turnover rent which may be imposed pursuant to the terms and conditions of the Lease Agreement and is exclusive of management fee, other charges and outgoings. The total management fee (including tax) payable under the Lease Agreement during the term is approximately RMB6.9 million (inclusive of air-conditioning charges). The rent and management fee under the Lease Agreement have been determined after arm's length negotiations between AEON GD and the Lessor, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.</p> <p>The consideration will be satisfied by internal resources of the Group.</p>
Payment term:	Base rent and management fees are payable monthly within 10 working days from AEON GD's receipt of tax invoice which the Lessor shall issue on or before the 5th day of every month, failing which, AEON GD is entitled to postpone next payment of base rent and management fees.
Rent Free Period	The initial renovation period of six months from the handover date of the Premises during which no rent and management fees are payable by AEON GD. Where AEON GD formally commences business during this period, the rent-free period will not be shortened.
Usage	For the purpose of AEON GD's operation of supermarket in the name of "AEON", "永旺"
Deposit:	In the sum of RMB430,987.5 and by way of bank guarantee to be submitted within 30 days from the date of Lease Agreement
Early termination:	Within the first 60 months from the Commencement Date, 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 six 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 of the term, 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: escalators and vertical passenger elevators for use by AEON GD's customers, various signages at the exterior, entrance, basement 1, parking space in basement 3, directory to ground floor and basement 1 of building, dumping sites.

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 development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owners 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 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 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 RMB16.2 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 Co., Ltd.), a company incorporated in the PRC and owned as to 65% by the Company
“Board”	board of Directors
“Commencement Date”	The date immediately following the expiry of six months from the hand over day of the Premises which is agreed by the parties to be 30 April 2025 or the date when the Lessor actually handover the Premises in accordance with the terms of the Lease Agreement
“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”	Guangzhou Yao Sheng Real Estate Development Co., Ltd.* (廣州耀勝房地產開發有限公司), a company incorporated in the PRC which is owned as to 65% by Guangzhou Xinpei Investment Co., Ltd.* (廣州新沛投資有限公司), an indirect wholly owned subsidiary of New World Development Company Limited, the issued shares of which are listed on the Stock Exchange (stock code: 17)) and as to 35% by Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司, wholly owned by The People’s Government of Guangzhou Municipality* (廣州市人民政府)) and the Lessor and its ultimate beneficial owner(s) are Independent Third Parties.
“Lease Agreement”	The Lease Agreement dated 16 August 2024 in respect of the Premises entered into by AEON GD and the Lessor
“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, Basement 2, Guangzhou K11 Select, No.178 Hanxi Avenue East Road, Panyu District, Guangzhou City, Guangdong Province, China*(中國廣東省廣州市番禺區漢溪大道東路 178 號廣州 K11 Select 負二層 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
“%”	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
Toshiya GOTO
Chairman

Hong Kong, 16 August 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. Hiroyuki Inohara, Mr. Kenji Fujita and Mr. Yasutoshi Yokochi; and the Independent Non-executive Directors are Mr. Chow Chi Tong, Mr. Hideto Mizuno and Ms. Shum Wing Ting.