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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 OFFER TO LEASE

The Board is pleased to announce that on 27 November 2019, the Company as tenant received the duly accepted Offer to Lease (which was issued by the Company on 15 November 2019) from the Agent as agent of the Landlords in respect of the lease of the Premises. Prior to entering into the Offer to Lease, the Company has been occupying the Premises as tenant and has been operating one of its general merchandise stores at the Premises.

Pursuant to HKFRS 16, the entering into of the Offer to Lease as tenant will require the Group to recognise the Premises as right-of-use asset. Therefore, the entering into of the Offer to Lease 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 Offer to Lease amounted to approximately HK\$539.7 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 Offer to Lease is 25% or more but is less than 100%, the entering into of the Offer to Lease constitutes a major transaction of 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, as no Shareholder or any of their respective associates has a material interest in the Offer to Lease and the transaction contemplated thereunder, no Shareholder will be required to abstain from voting at a general meeting of the Company for approving the same. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting. 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). As such, the Company is exempted from convening a general meeting to approve the Offer to Lease and the transaction contemplated thereunder.

A circular of the Company containing, among other things, further information on the Offer to Lease 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 18 December 2019.

INTRODUCTION

The Board is pleased to announce that on 27 November 2019, the Company as tenant received the duly accepted Offer to Lease (which was issued by the Company on 15 November 2019) from the Agent as agent of the Landlords in respect of the lease of the Premises. Prior to entering into the Offer to Lease, the Company has been occupying the Premises as tenant and has been operating one of its general merchandise stores at the Premises.

The principal terms of the Offer to Lease are set out below:

The Offer to Lease

Date of acceptance: 27 November 2019

Parties: Tenant: AEON Stores (Hong Kong) Co., Limited (永旺(香港)百貨有限公司), as tenant

Agent: SINO REAL ESTATE AGENCY LIMITED (信和地產代理有限公司), as agent of the Landlords

Premises: 1301–1350 of Floor 01, 081–112 of Floor G and 082–120 of Floor UG of Tuen Mun Town Plaza (I), 1 Tuen Shing Street, Tuen Mun, New Territories, Hong Kong

Term: From 16 April 2020 to 15 April 2026 (both dates inclusive)

Usage:	For use only by the Company and the Company's licensees (as permitted by the Landlords) as the operation of a general merchandise store, including supermarkets and restaurants under the trade name of AEON or such other name to be approved by the Landlords in advance (such approval shall not be unreasonably withheld)
Total consideration payable:	Total base rent payable under the Offer to Lease is approximately HK\$618.2 million, which is subject to annual turnover rent which may be imposed pursuant to the terms and conditions of the Offer to Lease (exclusive of rates, government rent, management fee, air-conditioning charge, other charges and other outgoings) The consideration will be satisfied by internal resources of the Group
Payment term:	The monthly base rent shall be payable monthly in advance on the first day of each calendar month The annual turnover rent (if payable pursuant to the terms and conditions of the Offer to Lease) shall be payable yearly in arrears
Deposit:	Approximately HK\$33.7 million (representing three months of the monthly base rent, management fee, air-conditioning charge, rates and government rent), which is paid partly by cash and partly by way of bank guarantee (as guarantee of the due performance and observance by the Company of its obligations throughout the term of the Offer to Lease)

INFORMATION OF THE PARTIES

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

The Landlords and the Agent are principally engaged in property investment and real estate agency activities, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Agent, the Landlords and their respective ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE OFFER TO LEASE

The principal business of the Group is the operation of retail businesses through chain stores under the trade names of “AEON STYLE”, “AEON”, “AEON SUPERMARKET” and “MaxValu” 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 terms of the Offer to Lease, 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 by the Group under the Existing Lease. The entering into of the Offer to Lease is necessary for the operation of the retail businesses in the ordinary and usual course of business of the Group. Therefore, the Board considers that the terms of the Offer to Lease are on normal commercial terms and are fair and reasonable and the entering into of the Offer to Lease is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Acquisition of asset by the Company

Pursuant to HKFRS 16, the entering into of the Offer to Lease as tenant will require the Group to recognise the Premises as right-of-use asset. Therefore, the entering into of the Offer to Lease 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 Offer to Lease amounted to approximately HK\$539.7 million.

Major transaction

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 Offer to Lease is 25% or more but is less than 100%, the entering into of the Offer to Lease constitutes a major transaction of 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, as no Shareholder or any of their respective associates has a material interest in the Offer to Lease and the transaction contemplated thereunder, no Shareholder will be required to abstain from voting at a general meeting of the Company for approving the same. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders’ approval may be accepted in lieu of holding a general meeting. 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). As such, the Company is exempted from convening a general meeting to approve the Offer to Lease and the transaction contemplated thereunder.

A circular of the Company containing, among other things, further information on the Offer to Lease 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 18 December 2019.

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
“Agent”	SINO REAL ESTATE AGENCY LIMITED (信和地產代理有限公司), a company incorporated in Hong Kong with limited liability, being the agent of the Landlords
“Board”	the 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”	the existing lease agreement and its extension letter entered into between the Company as tenant and the Landlords as landlord on 5 November 2014 and 13 November 2018 respectively in respect of the lease of the Premises
“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
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected person(s)
“Landlord(s)”	ENTERTAINMENT CITY LIMITED (娛樂天地有限公司), a company incorporated in Hong Kong with limited liability, and JADE MATE LIMITED (麗賢有限公司), a company incorporated in Hong Kong with limited liability, being landlords of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer to Lease”	the offer to lease issued by the Company as tenant on 15 November 2019 and accepted by the Agent as agent of the Landlords on 27 November 2019 in respect of the lease of the Premises
“Party(ies)”	the Company (as tenant) and the Agent (as agent of the Landlords)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	1301 — 1350 of Floor 01, 081–112 of Floor G and 082–120 of Floor UG of Tuen Mun Town Plaza (I), 1 Tuen Shing Street, Tuen Mun, New Territories, Hong Kong
“Shareholder(s)”	registered holders of the shares of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 27 November 2019

As at the date of this announcement, the Executive Directors are Mr. Isei Nakagawa, Mr. Chak Kam Yuen, Mr. Lau Chi Sum Sam and Mr. Takenori Nagashima; 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.