
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Jusco Stores (Hong Kong) Co., Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this circular.

JUSCO
吉 之 島
JUSCO STORES (HONG KONG) CO., LIMITED
吉之島(香港)百貨有限公司
(Incorporated in Hong Kong with limited liability)

**NOTICE OF ANNUAL GENERAL MEETING
CONNECTED TRANSACTIONS
AND
GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES**

Independent Financial Adviser to the Independent Director

 **TAI FOOK CAPITAL LIMITED**

A letter from the board of directors of Jusco Stores (Hong Kong) Co., Limited (the “Company”) is set out on pages 4 to 12 of this circular. A letter from the Independent Director is set out on pages 13 to 14 of this circular. A letter from Tai Fook Capital Limited is set out on pages 15 to 21 of this circular.

A notice convening the annual general meeting of the Company to be held at Island Ballroom A, Island Shangri-La Hong Kong, 2 Pacific Place, Supreme Court Road, Hong Kong on 20th June, 2002 at 9:00 a.m. is set out on pages 29 to 33 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrars, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or adjourned meeting.

Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the annual general meeting or any adjourned meeting should they so wish.

17th May, 2002

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Director	13
Letter from Tai Fook	15
Appendix I – General Information	22
Appendix II – Explanatory Statement on Repurchase of Shares	26
Notice of AGM	29

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AEON Co.”	AEON Co. Ltd. (formerly known as JUSCO Co., Ltd.), the substantial shareholder of the Company holding, as at the Latest Practicable Date, approximately 71.64% of the issued share capital of the Company
“Aeon Credit”	Aeon Credit Service (Asia) Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“AGM”	the annual general meeting of the Company to be held at Ballroom A, Island Shangri-La Hong Kong, 2 Pacific Place, Supreme Court Road, Hong Kong on Thursday, 20th June, 2002 at 9:00 a.m., notice of which is set out on pages 29 to 33 of this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commission Payment Transactions”	such transactions as may be agreed between the Company and Aeon Credit from time to time pursuant to which the Group will pay to Aeon Credit commissions in respect of purchases made by customers of the Group by using credit purchase facilities provided by Aeon Credit from time to time including, but not limited to, various credit cards issued by Aeon Credit, namely, Aeon Cards, Aeon Jusco Cards, Aeon Jusco MasterCards, Aeon Jusco American Express Cards and interest-free hire purchase facilities provided by Aeon Credit, which commission payments by the Group to Aeon Credit constitute connected transactions of the Company under the Listing Rules
“Company”	Jusco Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Current Prescribed Threshold”	1% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made, being the threshold for the aggregate amount of commissions payable to Aeon Credit in any financial year in respect of the Commission Payment Transactions as approved by the then Independent Shareholders in 1999

DEFINITIONS

“Current Waiver”	the conditional waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions granted by the Stock Exchange in 1999
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Higher Prescribed Threshold”	1.5% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made, being the new threshold for the aggregate amount of commissions payable to Aeon Credit in any financial year in respect of the Commission Payment Transactions as proposed by the Directors to be approved at the AGM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Director”	Ms. Lam Pei, Peggy, an independent non-executive Director appointed to advise the Independent Shareholders on the terms of the Commission Payment Transactions and the Higher Prescribed Threshold
“Independent Shareholders”	Shareholders other than AEON Co. and Aeon Credit and their respective associates
“Latest Practicable Date”	10th May, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

DEFINITIONS

“Proposed Waiver”	the conditional waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions which is, with the exception of the Higher Prescribed Threshold, on terms similar to the Current Waiver, the details of which are described under the paragraph headed “Approval by Independent Shareholders and application for waiver from the disclosure and shareholders’ approval requirements under the Listing Rules” in the letter from the Board in this circular
“Share(s)”	share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Fook”	Tai Fook Capital Limited, the independent financial adviser to the Independent Director, a registered investment adviser under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“%”	per cent.

LETTER FROM THE BOARD

JUSCO

吉之島

JUSCO STORES (HONG KONG) CO., LIMITED

吉之島(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

Directors:

Toshiji TOKIWA* (*Chairman*)
Kazumasa ISHII (*Managing Director*)
Akihito TANAKA*
Motoya OKADA*
SHAO You Bao#
LAM Pei, Peggy#
Shinobu WASHIZAWA
WONG Mun Yu
LAM Man Tin

Registered Office:

G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

17th May, 2002

* *non-executive directors*

independent non-executive directors

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS
AND
GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES**

1. INTRODUCTION

On 10th May, 2002, the Directors announced that the Company intends to seek the Independent Shareholders' approval for the Commission Payment Transactions and the Higher Prescribed Threshold. The Company has been paying commissions to Aeon Credit pursuant to the Commission Payment Transactions since the listing of the Shares on the Stock Exchange. As at the Latest Practicable Date, AEON Co. owns approximately 71.64% of the issued share capital of the Company. Since Aeon Credit is an associate of AEON Co., the Commission Payment Transactions constitute connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

In the annual general meeting of the Company held on 16th June, 1999, the then Independent Shareholders approved a resolution authorising the Directors to remunerate Aeon Credit in respect of the Commission Payment Transactions provided that the aggregate amount of commissions payable to Aeon Credit in any financial year shall not exceed the Current Prescribed Threshold. The Commission Payment Transactions constitute connected transactions under the Listing Rules and the Stock Exchange has granted the Current Waiver to the Company from strict compliance with the requirements of the Listing Rules. One of the conditions of the Current Waiver is that the Current Prescribed Threshold must be reviewed and approved by the Independent Shareholders every three years after its initial approval. The Current Prescribed Threshold is due to be reviewed by the Independent Shareholders at the AGM.

The Company will continue to enter into the Commission Payment Transactions with Aeon Credit. In view of the continuing nature of the Commission Payment Transactions and the expected increase in the amount of commissions payable to Aeon Credit, the Directors have decided to seek approval from the Independent Shareholders at the AGM for the Higher Prescribed Threshold. The Company will also apply to the Stock Exchange for the Proposed Waiver from strict compliance with the requirements of the Listing Rules subject to conditions, except for the Higher Prescribed Threshold, that are similar to the Current Waiver.

Apart from providing you with further information relating to the Commission Payment Transactions, it is also the purpose of this circular to give you notice of the AGM convened for the purpose of considering and, if thought fit, passing the ordinary resolutions to, among other things, approve the Commission Payment Transactions and the Higher Prescribed Threshold and the general mandates to issue Shares and repurchase Shares.

The notice convening the AGM is set out on pages 29 to 33 of this circular. The letter from the Independent Director to the Independent Shareholders regarding their recommendation relating to the Commission Payment Transactions is set out on pages 13 to 14 of this circular. The letter of advice from Tai Fook to the Independent Director regarding the Commission Payment Transactions is set out on pages 15 to 21 of this circular.

LETTER FROM THE BOARD

2. COMMISSION PAYMENT TRANSACTIONS

(1) Principal terms of the current Commission Payment Transactions

The Company has agreed to pay to Aeon Credit commissions in return for Aeon Credit providing the Group's customers with various credit purchase and interest-free hire purchase facilities. The commissions are calculated on the basis of a fixed percentage of the sales made by using the credit purchase or interest-free hire purchase facilities provided by Aeon Credit. Currently, the Company has agreed to pay commissions to Aeon Credit for the following facilities:

- (i) each credit purchase made at the Group's stores using Aeon Card, Aeon Jusco Card, Aeon Jusco MasterCard or Aeon Jusco American Express Card; and
- (ii) each purchase of selected home appliances and furniture agreed between the Company and Aeon Credit from time to time made at the Group's stores using interest-free hire purchase facilities provided by Aeon Credit.

The following table sets out the commission rates in respect of the Commission Payment Transactions currently agreed between the Company and Aeon Credit:

Type of credit purchase facilities	Commission rate (as a percentage of the price of the goods purchased)
(i) Aeon Card	1.3%
(ii) Aeon Jusco Card (<i>Note</i>)	0.8%
(iii) Aeon Jusco MasterCard (<i>Note</i>)	0.8%
(iv) Aeon Jusco American Express Card (<i>Note</i>)	0.8%
(v) Interest-free hire purchase facilities	
– 6 months	3% – 4%
– 9 months	2.5%
– 12 months	4.75% – 6%
– 18 months	7.6% – 8.25%
– 24 months	10%

Note: The commission rates charged by Aeon Credit for purchases using these credit cards will be reduced to 0.6% of the purchase price of the goods purchased by using the credit cards on certain specific dates agreed between the Company and Aeon Credit.

LETTER FROM THE BOARD

The Company and Aeon Credit may also agree that commissions shall be paid by the Company to Aeon Credit in respect of such other credit cards, hire purchase facilities and/or other credit purchase facilities as may be provided by Aeon Credit to the Group's customers at such rates and on such terms as may be agreed between the Company and Aeon Credit from time to time.

The Directors have confirmed that the Commission Payment Transactions have been entered into by the Company on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Shareholders are concerned. In addition, the Directors confirmed that the terms of the current Commission Payment Transactions were negotiated on an arm's length basis and all terms and conditions of any future Commission Payment Transactions will be negotiated on the same basis.

(2) Commissions paid by the Group to Aeon Credit for the financial year ended 29th February, 2000 and the two financial years ended 28th February, 2001 and 2002

The following table sets out the total commissions paid by the Group to Aeon Credit for the financial year ended 29th February, 2000, and the two financial years ended 28th February, 2001 and 2002 respectively.

	For the year ended 29th February, 2000 HK\$	For the year ended 28th February, 2001 2002 HK\$ HK\$	
Commissions paid to Aeon Credit	16,207,078	15,605,925	20,388,309
Commissions paid as a percentage to the audited consolidated turnover of the Group of the relevant financial year (<i>Note 1</i>)	0.49%	0.46%	0.55%
Commissions paid as a percentage to the audited consolidated net tangible asset value of the Group of the previous financial year (<i>Note 2</i>)	6.61%	5.62%	5.72%

Note 1: Based on the audited consolidated turnover of the Group for the financial year ended 29th February, 2000 and financial years ended 28th February, 2001 and 2002 respectively.

Note 2: Based on the audited consolidated net tangible asset value of the Group as at 28th February, 1999, 29th February, 2000 and 28th February, 2001 respectively. Due to the adoption of a number of new accounting standards which has led to some changes in the Group's accounting policies, the audited consolidated net tangible asset values of the Group as at 28th February, 1999, 29th February, 2000 and 28th February, 2001 have been restated to HK\$245,253,000, HK\$277,737,000 and HK\$356,242,000 respectively.

LETTER FROM THE BOARD

(3) Approval by the Independent Shareholders and application for waiver from the disclosure and shareholders' approval requirements under the Listing Rules

Given the ongoing nature of the Commission Payment Transactions, the Directors are of the view that it would not be practicable to make disclosure of or, if necessary, obtain the Independent Shareholders' approval on each and every occasion as they arise. The Commission Payment Transactions and the Current Prescribed Threshold were approved by the then Independent Shareholders at the annual general meeting of the Company held on 16th June, 1999. It is a condition under the Current Waiver that the Current Prescribed Threshold must be reviewed and approved by the Independent Shareholders every three years after its initial approval and is now due to be reviewed at the AGM. Due to the expected increase in (i) the value of purchases made by using the credit cards provided by Aeon; and (ii) the level of usage of long-term interest-free hire purchase facilities by the customers of the Group, the Directors are of the view that the Current Prescribed Threshold may not be adequate to cover the expected increase in the amount of commissions payable by the Group to Aeon Credit pursuant to the Commission Payment Transactions in the coming years. The Directors therefore have decided to seek approval from the Independent Shareholders for the Commission Payment Transactions and the Higher Prescribed Threshold (i.e. 1.5% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made) at the AGM. In view of the different threshold, the Company will also apply to the Stock Exchange for the Proposed Waiver covering the three financial years ending 28th February, 2003, 29th February, 2004 and 28th February, 2005 from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions subject to the following conditions:

- (i) that the Commission Payment Transactions and the Higher Prescribed Threshold are approved by the Independent Shareholders at the AGM and shall be subject to the Independent Shareholders' review and approval every three years after its approval;
- (ii) that the Commission Payment Transactions are:
 - (a) entered into by the Group in the ordinary and usual course of its business;
 - (b) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
 - (c) entered into either (a) in accordance with the terms of the agreements governing the Commission Payment Transactions; or (b) (where there are no such agreements) on terms no less favourable than those available from an independent third party;

LETTER FROM THE BOARD

- (iii) that the aggregate amount of commission payments by the Group to Aeon Credit shall not exceed the Higher Prescribed Threshold in the financial year where the Commission Payment Transactions are made;
- (iv) the details of the Commission Payment Transactions will be disclosed in the next and successive annual reports of the Company in compliance with Rules 14.25(1)(A) to (D) of the Listing Rules;
- (v) the independent non-executive Directors shall review annually the Commission Payment Transactions and confirm in annual report of the Company for the financial years concerned that the Commission Payment Transactions are conducted in the manner as stated in (ii) and (iii) above; and
- (vi) that the Company shall engage its auditors to review the Commission Payment Transactions annually and to provide the Board with a letter (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating that:
 - (a) the Commission Payment Transactions have received the approval from the Board;
 - (b) the aggregate annual value of the Commission Payment Transactions for the relevant financial year has not exceeded the Higher Prescribed Threshold; and
 - (c) the Commission Payment Transactions have been entered into on normal commercial terms or have been entered into in accordance with the terms of the respective agreements governing the Commission Payment Transactions including the commission rates or, where there is no formal written agreements, on terms which are no less favourable than terms available from an independent third party.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter referred to in paragraph (vi) above, the Directors shall contact the Stock Exchange immediately.

Should the aggregate amount of commissions payable to Aeon Credit pursuant to the Commission Payment Transactions exceeds the Higher Prescribed Threshold in the financial year where the Commission Payment Transactions are made, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

(4) Benefits of the Commission Payment Transactions

The Directors believe that the launch of various credit cards with Aeon Credit has provided further value-added service to the Group's customers and has cultivated stronger customer loyalty. The provision of various credit purchase facilities by Aeon Credit has contributed positively in building sales and extending the Group's customer base and the Directors expect that there will be continual growth in sales attributable to the credit purchase facilities provided by Aeon Credit to customers of the Group.

The Company confirms that any new Commission Payment Transactions that may be agreed with Aeon Credit in the future will be negotiated on an arm's length basis and will be conducted on normal commercial terms.

3. GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

At the AGM held on 21st June, 2001, ordinary resolutions were passed to renew the general mandates to the Directors to (i) repurchase Shares on the Stock Exchange up to 10% of the issued share capital of the Company as at 21st June, 2001; and (ii) allot, issue and otherwise deal with Shares not exceeding 20% of the Shares in issue as at 21st June, 2001 plus the nominal amount of any Shares repurchased by the Company (up to a maximum of 10% of the aggregate nominal amount of the Company's then issued share capital). No Shares have been repurchased, allotted, issued or otherwise dealt with pursuant to these mandates.

Under the terms of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and the Listing Rules, these general mandates will lapse at the conclusion of the AGM, unless renewed at that meeting. Resolutions set out as Resolutions 5A, 5B and 5C in the notice of AGM will be proposed to renew these mandates and the explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed general mandate for the repurchase of Shares is set out in Appendix II. With reference to these resolutions, the Directors wish to state that they have no immediate plans to repurchase any Shares or to issue any new Shares pursuant to the relevant mandates.

4. AGM

Set out on pages 29 to 33 of this circular is a notice convening the AGM for the purpose of considering and, if thought fit, passing the ordinary resolutions relating to (i) the Commission Payment Transactions and the Higher Prescribed Threshold; and (ii) the general mandates to issue Shares and repurchase Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, AEON Co. is a substantial shareholder of the Company, holding approximately 71.64% of the issued share capital of the Company. Aeon Credit is an associate of AEON Co. and holds approximately 0.68% of the issued share capital of the Company. AEON Co. and Aeon Credit and their respective associates will abstain from voting on the ordinary resolution to be proposed at the AGM relating to the Commission Payment Transactions and the Higher Prescribed Threshold.

A form of proxy for the AGM is enclosed. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance the instructions printed thereon and return it to the share registrars of the Company, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or adjourned meeting. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the AGM or any adjourned meeting should they so wish.

5. RECOMMENDATION

Pursuant to the requirements of the Listing Rules, the Company has appointed the Independent Director, Ms. Lam Pei, Peggy, to advise the Independent Shareholders on the terms and conditions of the Commission Payment Transactions. As the other independent non-executive Director, Mr. Shao You Bao, is also an independent non-executive Director of Aeon Credit, only Ms. Lam Pei, Peggy, is considered independent to advise the Independent Shareholders regarding the Commission Payment Transactions and the Higher Prescribed Threshold.

Tai Fook has been appointed to advise the Independent Director on the Commission Payment Transactions. The Independent Director having taken into account the advice of Tai Fook, considers that the terms on which the Commission Payment Transactions are made and the Higher Prescribed Threshold are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM relating to the Commission Payment Transactions and the Higher Prescribed Threshold. The Directors will vote all their Shares in favour of the ordinary resolution relating to the Commission Payment Transactions and the Higher Prescribed Threshold.

In addition, the Directors consider that the granting of the mandates to issue Shares and to repurchase Shares are in the best interests of the Company and its Shareholders and recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the general mandates to issue Shares and to repurchase Shares. The Directors will vote all their Shares in favour of the ordinary resolutions regarding the general mandates.

LETTER FROM THE BOARD

6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17th June, 2002 to Thursday, 20th June, 2002 (both days inclusive) in order to determine entitlements for the final dividend and attending and voting at the AGM. In order to qualify for the proposed final dividend and to qualify for attending and voting at the AGM, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrar Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 14th June, 2002.

7. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Director set out on pages 13 to 14 of this circular, the letter from Tai Fook set out on pages 15 to 21 of this circular and to the information set out in the Appendices on pages 22 to 28 of this circular.

Yours faithfully,
By order of the board of
Jusco Stores (Hong Kong) Co., Limited
Kazumasa Ishii
Managing Director

LETTER FROM THE INDEPENDENT DIRECTOR

The following is the text of a letter from the Independent Director giving her advice to the Independent Shareholders:

JUSCO
吉 之 島
JUSCO STORES (HONG KONG) CO., LIMITED
吉之島(香港)百貨有限公司
(Incorporated in Hong Kong with limited liability)

17th May, 2002

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

I refer to the circular (the “Circular”) dated 17th May, 2002 issued by the Company to its Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

The Commission Payment Transactions constitute connected transactions for the Company under the Listing Rules. The Company will make an application to the Stock Exchange for an ongoing waiver from strict compliance with the relevant disclosure and shareholders’ approval requirements as stipulated in Chapter 14 of the Listing Rules in respect of the Commission Payment Transactions. AEON Co. and Aeon Credit and their respective associates have confirmed that they will abstain from voting at the AGM on the ordinary resolution relating to the Commission Payment Transactions and the Higher Prescribed Threshold.

I have been appointed by the Board to make a recommendation to the Independent Shareholders regarding the approval of the Commission Payment Transactions and the Higher Prescribed Threshold, details of which are contained in the letter from the Board set out on pages 4 to 12 of the Circular.

LETTER FROM THE INDEPENDENT DIRECTOR

I wish to draw your attention to the letter of advice from Tai Fook on pages 15 to 21 of the Circular. I have considered the advice contained in that letter and various factors contained in the letter from the Board on pages 4 to 12. In my opinion, the terms of the Commission Payment Transactions and the Higher Prescribed Threshold are fair and reasonable so far as the Independent Shareholders are concerned. I concur with the opinion of Tai Fook and consider the entering into of the Commission Payment Transactions is in the interest of the Group and the Shareholders as a whole. Accordingly, I recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM relating to the Commission Payment Transactions and the Higher Prescribed Threshold.

Yours faithfully,
Lam Pei, Peggy
Independent Director

LETTER FROM TAI FOOK

The following is the text of a letter from Tai Fook, giving its advice to the Independent Director:



TAI FOOK CAPITAL LIMITED
(Member of Tai Fook Securities Group)
大福融資有限公司
Tai Fook Capital Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

17th May, 2002

To the Independent Director
Jusco Stores (Hong Kong) Co., Limited

Dear Madam,

CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to advise the Independent Director in respect of the terms of the Commission Payment Transactions and the Higher Prescribed Threshold, details of which are contained in the circular dated 17th May, 2002 (the "Circular") to the Shareholders of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, AEON Co. is the substantial shareholder of the Company, holding approximately 71.64% of the issued share capital of the Company. Since Aeon Credit is an associate of AEON Co., the Commission Payment Transactions constitute connected transactions of the Company under the Listing Rules. Given the ongoing nature of the Commission Payment Transactions and the expected increase in the amount of commissions payable to Aeon Credit, the Company will apply to the Stock Exchange for the Proposed Waiver from strict compliance with the requirements under the Listing Rules subject to, among other conditions, the annual aggregate amount of the commissions payable to Aeon Credit in the financial year where the Commission Payment Transactions are made not exceeding the Higher Prescribed Threshold. In our capacity as the independent financial adviser to the Independent Director, our role is to provide you with an independent opinion and recommendations as to whether the terms of the Commission Payment Transactions and the Higher Prescribed Threshold are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM TAI FOOK

In formulating our recommendations, we have relied on the information and facts supplied and representations expressed by the Directors and/or the management of the Group. We have been advised by the Directors and/or the management of the Group that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading. We have assumed that the information contained and representations made or referred to in the Circular were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Circular. We have also discussed with the Directors and/or the management of the Group with respect to the terms and reasons of the Commission Payment Transactions and the Proposed Waiver and the basis of the Higher Prescribed Threshold and consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We have not, however, conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Commission Payment Transactions and the Higher Prescribed Threshold, we have considered, among other things, the following principal factors and reasons:

1. Business of the Group

The Group is principally engaged in the operation of general merchandise stores. Currently, the Group operates 8 stores in Hong Kong and 3 stores in Guangdong, the PRC.

2. The Commission Payment Transactions

As stated in the letter from the Board, the Company has entered into and will continue to enter into the Commission Payment Transactions with Aeon Credit in which the Group has agreed to pay commissions to Aeon Credit for:

- (i) each credit purchase made by the Group's customers at its stores using Aeon Card, Aeon Jusco Card, Aeon Jusco MasterCard or Aeon Jusco American Express Card (collectively, the "Aeon Credit Cards"); and
- (ii) each purchase of selected home appliances and furniture agreed between the Company and Aeon Credit from time to time made by the Group's customers at its stores using interest-free hire purchase facilities provided by Aeon Credit.

LETTER FROM TAI FOOK

As agreed between the Company and Aeon Credit, Aeon Credit shall pay to the Company, within a pre-agreed credit period, the price of goods purchased by such customers less the amount of commissions payable to Aeon Credit being a fixed percentage (or such other rates as agreed between the Company and Aeon Credit from time to time) of the transaction value of any purchases made by the customers of the Group using the Aeon Credit Cards or the interest-free hire purchase facilities provided by Aeon Credit.

A table setting out the details of the commission rates in respect of the Commission Payment Transactions currently agreed between the Company and Aeon Credit can be found on page 6 in the letter from the Board.

As stated in the letter from the Board, the Directors have confirmed that the Commission Payment Transactions are entered into by the Company on normal commercial terms, in the ordinary and usual course of the business of the Group and are fair and reasonable so far as the Shareholders are concerned.

3. The Proposed Waiver

Given the ongoing nature of the Commission Payment Transactions, the Directors are of the view that it would not be practicable to make disclosure of or, if necessary, obtain Independent Shareholders' approval on each and every occasion as they arise. It is also a condition under the Current Waiver that the Current Prescribed Threshold must be reviewed and approved by the Independent Shareholders every three years after its initial approval and is now due to be reviewed at the AGM. As the Directors expect that the annual amount of commissions payable to Aeon Credit will increase, they have decided to seek approval from the Independent Shareholders at the AGM for the Commission Payment Transactions and the Higher Prescribed Threshold. The Company will also apply to the Stock Exchange for the Proposed Waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions subject to the conditions as set out on pages 8 to 9 of the letter from the Board.

LETTER FROM TAI FOOK

4. Reasons for entering into the Commission Payment Transactions by the Company

The following table sets out the approximate total amount of commissions paid to Aeon Credit and the total sales of the Group for financial year ended 29th February, 2000 and the two financial years ended 28th February, 2001 and 2002:

	2000	2001	2002
Commissions paid to			
Aeon Credit (HK\$)	16,207,078	15,605,925	20,388,309
Increase/(decrease) in the amount of			
commissions paid to			
Aeon Credit (%)	58.82% ^(Note)	(3.71%)	30.64%
Turnover (HK\$)	3,277,382,000	3,394,484,000	3,720,923,000
Increase in turnover (%)	18.50% ^(Note)	3.57%	9.62%
Commission to total turnover (%)	0.49%	0.46%	0.55%

Note: As compared to the total commission payments paid to Aeon Credit and total sales of the Group for the year ended 28th February, 1999 of HK\$10,204,614 and approximately HK\$2,765,658,000 respectively.

As advised by the Directors, the Company has entered into the Commission Payment Transactions with Aeon Credit since the listing of the Company in 1994. The Directors consider that the Commission Payment Transactions is a satisfactory method of generating more sales for the Group because of the following reasons:

- (i) the special discounts and interest free hire-purchase schemes offered exclusively to holders of Aeon Credit Cards (the “Cardholders”) provide greater incentives for the Cardholders to increase spending in the Group’s stores; and
- (ii) the interest-free hire purchase facilities provided by Aeon Credit encourage the Cardholders to increase spending on home appliances and furniture items which are comparatively more expensive.

It is also stated in the letter from the Board that the Directors believe that the launch of various credit cards with Aeon Credit has provided further value-added service to the Group’s customers and has cultivated stronger customer loyalty. In addition, the provision of various credit purchase facilities by Aeon Credit has contributed positively in building sales and extending the Group’s customer base and the Directors expect that there will be continual growth in sales attributable to the credit purchase facilities provided by Aeon Credit to customers of the Group. As such, the Directors consider that it is beneficial to the Group and the Shareholders as a whole to continue to enter into the Commission Payment Transactions.

LETTER FROM TAI FOOK

Given that the provision of various credit purchase facilities by Aeon Credit has contributed positively in building sales and extending the Group's customer base in the past, we concur with the Directors' view that it is fair and reasonable to continue to enter into the Commission Payment Transactions. Based on the information provided by the Directors, we are of the view that the commission rates currently charged by Aeon Credit for purchases using Aeon Credit Cards are not less favourable to the Group than those commission rates currently charged or offered to the Group by other companies engaged in similar credit card business. We also consider that the commission rates currently charged by Aeon Credit for interest-free hire purchase facilities are reasonable on the ground that such commissions are comparatively lower than the finance cost that would otherwise be incurred by the Group if similar financing facilities were obtained through other banks or finance companies.

5. Basis of the Higher Prescribed Threshold

According to the terms and conditions of the Current Waiver, the annual aggregate amount of commissions payable to Aeon Credit in respect of the Commission Payment Transactions should not exceed 1% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made. The Directors are of the view that the Current Prescribed Threshold may not be adequate to cover the expected increase in the amount of commission payments to be paid or payable by the Company to Aeon Credit pursuant to the Commission Payment Transactions due to the following reasons:

(a) Increase in purchases made by customers of the Group using Aeon Credit Cards

The following table sets out the amount of sales made through Aeon Credit Cards during the financial year ended 29th February, 2000 and the two financial years ended 28th February, 2001 and 2002 respectively:

	2000		2001		2002	
	<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>Group's</i>		<i>Group's</i>		<i>Group's</i>	
	<i>HK\$</i>	<i>total sales</i>	<i>HK\$</i>	<i>total sales</i>	<i>HK\$</i>	<i>total sales</i>
Sales made through						
Aeon Credit Cards	194,000,197	5.92%	238,355,772	7.02%	303,108,749	8.15%
Increase in sales made						
through Aeon Credit Cards						
(as compared to that in the						
previous financial year)	35.60%	N/A	22.86%	N/A	27.17%	N/A

LETTER FROM TAI FOOK

During the past three financial years, the amount of sales made through Aeon Credit Cards has increased at a significant rate ranging from approximately 22.86% to approximately 35.60% on a year-on-year basis. In addition, the amount of sales made through Aeon Credit Cards as a percentage to the total sales of the Group has also increased steadily from 5.92% (for the financial year ended 29th February, 2000) to 8.15% (for the financial year ended 28th February, 2002). Based on the above information, there is a clear trend that the level of usage of Aeon Credit Cards has increased during the past three financial years and the Directors expect that such trend will continue in the future. On the assumption that the agreed commission rates payable by the Company for the Aeon Credit Cards will not be lowered or remain unchanged in the future, it is reasonable to anticipate that the amount of commissions payable by the Company to Aeon Credit in relation to Aeon Credit Cards as a percentage to the turnover of the Group in a financial year will increase as a result of the increase in the level of usage of the Aeon Credit Cards.

(b) Increase in level of usage for long-term interest-free hire purchase facilities

The following table sets out the amount of sales made through interest-free hire purchase facilities provided by Aeon Credit during the financial year ended 29th February, 2000 and the two financial years ended 28th February, 2001 and 2002 respectively:

	2000		2001		2002	
	% to		% to		% to	
	Group's		Group's		Group's	
	HK\$	total sales	HK\$	total sales	HK\$	total sales
Sales made by interest-free hire purchase facilities	315,236,095	9.62%	298,938,143	8.81%	326,038,441	8.76%
Increase/(decrease) in sales made by interest-free hire purchase facilities (as compared to the previous financial year)	13.94%	N/A	(5.17%)	N/A	9.07%	N/A
Sales made by 6 to 12 months interest-free hire purchase facilities	302,478,594	9.23%	298,938,143	8.81%	246,534,094	6.62%
Sales made by 18 to 24 months interest-free hire purchase facilities	12,757,501	0.39%	–	–	79,504,347	2.14%

During the past three financial years, the amount of sales made by interest-free hire purchase facilities has increased from approximately HK\$315 million (for the financial year ended 29th February, 2000) to approximately HK\$326 million (for the financial year ended

LETTER FROM TAI FOOK

28th February, 2002), representing an increase of approximately 3.49%. However, the amount of sales made by interest-free hire purchase facilities as a percentage to total sales has declined from 9.62% (for the financial year ended 29th February, 2000) to 8.76% (for the financial year ended 28th February, 2002).

Despite the decrease in amount of sales made by interest-free hire purchase facilities as a percentage to the Group's total sales, the Directors have advised us that the amount of sales made by longer-term hire purchase facilities has increased during the past three financial years. As stated in the above table, the amount of sales made by 18 to 24 months interest-free hire purchase facilities has increased from approximately HK\$13 million (for the financial year ended 29th February, 2000) to approximately HK\$80 million (for the financial year ended 28th February, 2002), representing an increase of approximately 515.38%. Such increase was mainly due to the increase in offering of longer-term hire purchase facilities for home appliances and furniture items to the customers of the Group in order to induce customers' spending on such items. Given the commission rates charged by Aeon Credit for longer-term interest-free hire purchase facilities are generally higher, the amount of commissions payable by the Group to Aeon Credit for interest-free hire purchase facilities as a percentage to total sales will increase as a result of the increase in offering of longer-term interest-free hire purchase facilities to the customers of the Group.

Based on the above, we concur with the Directors' view that it is fair and reasonable to set the Higher Prescribed Threshold at 1.5% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made under the Proposed Waiver on the ground that it will allow the Group to have greater flexibility in launching marketing campaign using the credit purchase and interest-free hire purchase facilities provided by Aeon Credit which, in turn, could enhance the competitiveness of the Group.

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Commission Payment Transactions and the Higher Prescribed Threshold are fair and reasonable so far as the Independent Shareholders are concerned and it is in the interests of the Group and the Shareholders as a whole for the Company to enter into the Commission Payment Transactions. Accordingly, we advise the Independent Director to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Commission Payment Transactions and the Higher Prescribed Threshold.

Yours faithfully,
For and on behalf of
Tai Fook Capital Limited
Derek C. O. Chan
Deputy Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests of the following Directors in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under section 31 or Part 1 of the Schedule to the SDI Ordinance) or which are required to be entered in the register required to be kept by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the “Model Code”) were as follows:

(a) The Company

Name of directors	Number of ordinary shares held as personal interests
Sozaburo YAMAZAKI <i>(Resigned as a Director on 10th May, 2002)</i>	300,000
WONG Mun Yu	18,000
LAM Man Tin	50,000
Kazumasa ISHII	80,000
Shinobu WASHIZAWA	6,000
Motoya OKADA	100,000
Akihito TANAKA	50,000
SHAO You Bao	200,000
LAM Pei, Peggy	200,000

(b) AEON Co.

Name of directors	Number of shares held	
	Personal interests	Family interests
Toshiji TOKIWA	2,000	–
Sozaburo YAMAZAKI <i>(Resigned as a Director on 10th May, 2002)</i>	2,601	–
Motoya OKADA	203,248	4,371
Akihito TANAKA	6,000	–
Kazumasa ISHII	7,000	–
Shinobu WASHIZAWA	380	–

Mr. Motoya OKADA also has a personal interests in the debentures of AEON Co. with a total nominal value of JPY2,000,000.

(c) Other associated corporations

	Number of shares held as personal interests				
	Toshiji TOKIWA	Sozaburo YAMAZAKI (resigned as a Director on 10th May, 2002)	Motoya OKADA	Akihito TANAKA	SHAO You Bao
AEON Credit Service (Asia) Company Limited	–	22,000	110,000	–	330,000
AEON Fantasy Co., Ltd.	–	–	20,000	2,000	–
AEON Forest Co., Ltd.	–	–	3,000	–	–
Aeonmall Co., Ltd. (formerly known as AEON Kosan Co., Ltd.)	–	–	1,000	–	–
Aeon Techno Service Co., Ltd.	–	–	5	–	–
Aeon Thana Sinsap (Thailand) Plc.	100,000	–	300,000	20,000	–
Certo Co., Ltd.	–	–	2	–	–
Jaya JUSCO Stores Bhd.	–	–	75,000	150,000	–
Jus-Photo Co., Ltd.	–	–	2,000	–	–
Kyushu JUSCO Co., Ltd.	–	–	2,000	–	–
Laura Ashley Japan Co., Ltd.	–	–	10	–	–
Maxvalu Tohoku Co., Ltd.	–	–	5,000	–	–
Reform Studio Co., Ltd.	–	–	5	–	–
Ryukyu JUSCO Co., Ltd.	–	–	500	100	–
Taiwan JUSCO Co., Ltd.	1	–	1	–	–
The Talbots, Inc.	–	–	44,000	–	–
Zwei Co., Ltd.	–	–	4	–	–

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any interests in the equity or debt securities of the Company or of any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance or the Model Code (including interests which they are deemed or taken to have under section 31 of or Part 1 of the Schedule to the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

3. DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into, or proposed to enter into, a service contract with the Company or any of its subsidiaries which is not expiring or not terminable by the employer within one year without payment of compensation (other than statutory compensation).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance showed that the following shareholder has a direct or indirect interest of 10% or more in the issued share capital of the Company:

Name	Number of shares	Percentage
AEON Co.	186,276,000	71.64

Note: These shares are held as to 177,500,000 Shares by AEON Co., 7,000,000 Shares by JUSCO (U.S.A.) Inc., which is a wholly-owned subsidiary of AEON Co., and 1,776,000 Shares by Aeon Credit. AEON Co. beneficially owns 66.22% of Aeon Credit and is accordingly deemed by the SDI Ordinance to be interested in the Shares beneficially owned by Aeon Credit.

Other than disclosed above, as at the Latest Practicable Date, the Company has not been notified that there is any Shareholder which is directly or indirectly interested in 10% or more in the Company's issued share capital.

5. GENERAL

Save as disclosed in this circular:

- (a) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole;
- (b) since 28th February, 2002, the date to which the latest published audited accounts of the Group have been made up, none of the Directors or Tai Fook had any direct or indirect interest in any assets acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) the Directors are not aware, as at the Latest Practicable Date, of any material adverse change in the financial or trading position of the Company and its subsidiaries since 28th February, 2002, the date to which the latest published audited financial statements of the Group were made up;

- (d) the secretary of the Company is Mr. Heng Kwo Seng who is a chartered accountant and certified public accountant; and
- (e) Tai Fook is an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).

6. EXPERT

As at the Latest Practicable Date, Tai Fook does not have any interest in the share capital of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Tai Fook has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and the inclusion of its letter in the form and context in which they respectively appear.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Allen & Overy, 9th Floor, Three Exchange Square, Central, Hong Kong during normal business hours from the date of this circular up to and including 3rd June, 2002:

- (a) a copy of this circular;
- (b) the letter of recommendation from Tai Fook, the text of which is set out on pages 15 to 21 of this circular; and
- (c) the letter of consent of Tai Fook referred to in paragraph 6 of this appendix.

This is the Explanatory Statement to provide requisite information to you for your consideration of the proposed general mandate for repurchase of shares, as required by the relevant rules set out in the Listing Rules on the Stock Exchange to regulate the repurchase by companies with primary listings on the Stock Exchange of their own shares on the Stock Exchange.

This Explanatory Statement also constitutes the memorandum required under Section 49BA(3) of the Companies Ordinance.

Reference in this Explanatory Statement to “Shares” mean fully-paid up ordinary shares of HK\$0.20 each in the capital of the Company.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 260,000,000 Shares. The passing of the Ordinary Resolution 5B set out in the notice of AGM will allow the Company to repurchase a maximum of 26,000,000 Shares on the basis that no further Shares will be issued prior to the date of the AGM.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASES

The funds employed by the Company in connection with a repurchase of Shares would be those legally available for such use under the Company’s Memorandum and Articles of Association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or proceeds of a new issue of Shares made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

There might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements for the year ended 28th February, 2002 contained in the Annual Report for the year ended 28th February, 2002) in the event that the mandate to repurchase Shares were to be exercised in full

at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intend to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

No purchases have been made by the Company of its Shares (whether on the Stock Exchange or otherwise) in the six months prior to the date of this document.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised. In accordance with the Listing Rules, the Company shall not knowingly purchase Shares from a connected person on the Stock Exchange.

If, as the result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Code"). Accordingly, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, AEON Co. was the only substantial shareholder (as defined in the Listing Rules) of the Company and was beneficially interested in 186,276,000 Shares representing 71.64% of the issued share capital of the Company. The Directors are not aware of any consequences which would arise under the Code as a consequence of any repurchases pursuant to the repurchase mandate. Any purchase of Shares which would result in the amount of Shares held by the public being reduced to less than 25% could only be implemented with the agreement of the Stock Exchange to waive the dealing restriction regarding the public shareholding referred to above. However, the Directors have no present intention to exercise the power to repurchase Shares to the extent that the aggregate amount of the share capital of the Company in public hands would be reduced to less than 25%.

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the twelve months prior to the printing of this circular were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
May	1.77	0.88
June	1.67	1.43
July	1.61	1.54
August	1.83	1.58
September	1.81	1.68
October	2.025	1.56
November	2.00	1.60
December	2.375	1.93
2002		
January	3.20	2.25
February	3.00	2.65
March	3.70	2.85
April	3.65	3.40

NOTICE OF ANNUAL GENERAL MEETING

JUSCO

吉 之 島

JUSCO STORES (HONG KONG) CO., LIMITED

吉之島(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Jusco Stores (Hong Kong) Co., Limited (the “Company”) will be held at Island Ballroom A, Island Shangri-La Hong Kong, 2 Pacific Place, Supreme Court Road, Hong Kong on Thursday, 20th June, 2002 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 28th February, 2002.
2. To declare a final dividend for the year ended 28th February, 2002.
3. To re-elect Directors and authorise the Board of Directors to fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

A. **“THAT**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to issue or grant offers, agreements, options and warrants which will or might require the exercise of any of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Rights Issue” means an offer of Shares or offer or issue of warrants or options to subscribe for Shares open for a period fixed by the Directors of the Company to holders of Shares on the Register of Members of the Company or any class thereof on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).

“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”

NOTICE OF ANNUAL GENERAL MEETING

B. “THAT

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which any Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”

NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT** conditional upon the passing of the resolutions set out in paragraph 5A and paragraph 5B of the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such powers pursuant to the resolution set out in paragraph 5A of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph 5B of the notice convening this meeting, provided that such amount of Shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.”
- D. “**THAT** the Directors of the Company be authorised to remunerate (whether by way of commissions or otherwise) Aeon Credit Service (Asia) Company Limited (“Aeon”) in respect of credit purchase and other facilities provided by Aeon to the Group’s customers at such rates and on such terms as the Directors of the Company may from time to time approve provided that the maximum annual aggregate amount of such remuneration paid by the Company to Aeon in respect of such transactions in each financial year shall not exceed 1.5% of the audited consolidated turnover of the Group in that financial year.”

By Order of the Board
Heng Kwo Seng
Company Secretary

Hong Kong, 10th May, 2002

Registered Office:

G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof.
- (3) The Register of Members of the Company will be closed from Monday, 17th June, 2002 to Thursday, 20th June, 2002 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for attending and voting at the annual general meeting and the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrar, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Friday, 14th June, 2002.
- (4) With reference to the resolutions set out in paragraph 5A and 5B above, the Directors of the Company wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares pursuant to the relevant mandates.
- (5) An explanatory statement containing further details regarding the resolutions set out in paragraph 5A and 5B above will be sent to all members together with the Annual Report for the year ended 28th February, 2002.
- (6) Aeon Co., Ltd. and Aeon Credit Service (Asia) Company Limited ("Aeon") and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting on the resolution set out in paragraph 5D above. Further information relating to the connected transactions with Aeon will be provided in a circular of the Company to be sent to all members together with the Annual Report for the year ended 28th February, 2002.
- (7) If approved, the proposed final dividend will be payable on or before Thursday, 8th August, 2002.