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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)

CONTINUING CONNECTED TRANSACTION

At the annual general meeting of the Company held on 20 June 2002, the independent shareholders of the Company approved a resolution authorising the Directors to remunerate Aeon Credit in respect of the Commission Payment Transactions which constitute connected transactions under the old Listing Rules (which ceased to be effective after 30 March 2004). The Stock Exchange granted a conditional waiver to the Company on 28 June 2002 from strict compliance with certain requirements under the old Listing Rules in respect of the Commission Payment Transactions for a period of three financial years.

The Commission Payment Transactions constitute continuing connected transactions for the Company under Rule 14A.14 of the current Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45–47.

In order to comply with Rule 14A.35(1) of the current Listing Rules, the Company entered into the Agreement on 15 April 2005 with Aeon Credit in respect of the Commission Payment Transactions for a fixed term of three years effective from 15 April 2005 to 14 April 2008.

BACKGROUND

At the annual general meeting of the Company held on 20 June 2002, the independent shareholders of the Company approved a resolution authorising the Directors to remunerate Aeon Credit in respect of the Commission Payment Transactions which constitute connected transactions under the old Listing Rules (which ceased to be effective after 30 March 2004) and the Stock Exchange granted a conditional waiver to the Company on 28 June 2002 from strict compliance with certain requirements under the old Listing Rules in respect of the Commission Payment Transactions for a period of three financial years.

Continuing Connected Transaction

As at the date of this announcement, AEON Co. Ltd. controls approximately 71.64% of the voting rights in the Company and approximately 66.22% of the voting rights in Aeon Credit. Aeon Credit is therefore a connected person of the Company under the Listing Rules and the Commission Payment Transactions therefore constitute continuing connected transactions for the Company under the Listing Rules.

It is expected that the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Commission Payment Transactions will, on an annual basis, be more than 0.1% but less than 2.5%. The Commission Payment Transactions are therefore subject to the reporting and announcement requirements under Rules 14A.45–47 of the Listing Rules but do not require the approval of the Company's independent shareholders.

The Agreement and the Commission Payment Transactions

Background

In order to comply with Rule 14A.35(1) of the Listing Rules, the Company entered into the Agreement on 15 April 2005 with Aeon Credit in respect of the Commission Payment Transactions for a fixed term of three years effective from 15 April 2005 to 14 April 2008. The Agreement may be terminated prior to the expiry of such

fixed term by either party giving not less than ninety days' prior written notice of its intention to do so to the other party. Subject to compliance with the Listing Rules, the Agreement may be renewed on such terms and conditions as the parties to the Agreement may mutually agree.

Commission Payment Transactions

Under the Agreement, the Company shall pay to Aeon Credit commissions in return for Aeon Credit providing customers of the Company with various credit purchase and hire purchase facilities. The commissions are calculated on the basis of a fixed percentage of the sales generated by the credit purchase or hire purchase facilities provided by Aeon Credit. Currently, the Company has agreed to pay commissions to Aeon Credit for providing the following credit facilities to customers of the Group:

- (i) credit purchase facilities made available to customers of the Group for making purchases at the Group's stores using AEON JUSCO VISA Card, AEON JUSCO MasterCard, AEON JUSCO American Express Credit Card and any other co-branded credit cards; and
- (ii) hire purchase facilities made available to customers of the Group for making purchases of selected goods and/or services at the Group's stores.

The commission rates payable by the Company to Aeon Credit in respect of the current Commission Payment Transactions are determined by agreement between the Company and Aeon Credit from time to time after negotiations at arm's length. In negotiating and agreeing the commission rates and other terms of the Commission Payment Transactions with Aeon Credit, the Company take into account the prevailing market commission rates for similar types of transactions that are offered by competitors of Aeon Credit to the Company and gives credit to Aeon Credit for any additional services provided by Aeon Credit which are not offered by competitors of Aeon Credit.

The Agreement also provides that, subject to compliance with the Listing Rules, the Company and Aeon Credit may also enter into additional Commission Payment Transactions in respect of other credit cards, hire purchase facilities and/or other credit purchase facilities that may be provided by Aeon Credit to the Group's customers from time to time. The Company will negotiate and agree the commission rates and other terms of future Commission Payment Transactions with Aeon Credit on the current basis as mentioned above.

The Directors, including all the independent non-executive directors, consider that the Agreement and the Commission Payment Transactions are on normal commercial terms, that their respective terms are fair and reasonable and in the interest of the Company and its shareholders as a whole and that the entry into the Agreement and the Commission Payment Transactions is in the ordinary and usual course of the Company's business.

The Annual Cap

The Directors estimate that the maximum aggregate amount (the "Annual Cap") payable in respect of the Commission Payment Transactions under the Agreement will not exceed HK\$20,900,000. The Annual Cap has been determined by reference to the highest annual amount paid by the Company to Aeon Credit in respect of the Commission Payment Transactions during the past three years to which a cushion of 15% has been added to provide flexibility to take account of possible changes in the volume of Commission Payment Transactions.

The Company will comply with the continuing obligations under Rules 14A.37-41 of the Listing Rules and will re-comply with the relevant Listing Rules if the Annual Cap is exceeded, when the Agreement is renewed and when there is a material change to its terms.

General

The principal activities of the Group are the operation of general merchandise stores.

The principal activities of Aeon Credit are the provision of consumer credit finance services including the issue of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

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.

Definitions

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

“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.

“Agreement” the written agreement dated 15 April 2005 entered into between the Company and Aeon Credit in respect of the Commission Payment Transactions.

“Commission Payment Transactions” transactions entered into between the Company and Aeon Credit from time to time pursuant to which the Company pays 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 JUSCO VISA Card, AEON JUSCO MasterCard, AEON JUSCO American Express Credit Card and any other co-branded credit cards and hire purchase facilities provided by Aeon Credit.

“Company”

AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.

“Director(s)”

the director(s) of the Company.

“Group”

the Company and its subsidiaries.

“Listing Rules”

the Rules Governing the Listing of Securities on the Stock Exchange.

“Stock Exchange”

The Stock Exchange of Hong Kong Limited.

By Order of the Board
Kazumasa Ishii
Managing Director

Hong Kong, 20 April 2005

As at the date of this announcement, the executive directors of the Company are Mr. Kazumasa Ishii, Mr. Kozo Murata, Mr. Wong Mun Yu and Mr. Lam Man Tin; non-executive directors are Mr. Toshiji Tokiwa, Mr. Motoya Okada and Mr. Tatsuichi Yamaguchi, and the independent non-executive directors of the Company are Dr. Shao You Bao, Mdm. Lam Pei Peggy, and Mr. Sham Sui Leung Daniel.

Please also refer to the published version of this announcement in The Standard.