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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE EXISTING OUTSOURCING AGREEMENTS

Reference is made to the announcements dated 23 July 2008 and 22 December 2008 respectively of the Company in relation to the Existing Outsourcing Agreements.

The Board is pleased to announce that on 30 August 2011 the PRC AEON Stores entered into a renewal agreement to renew the Existing Outsourcing Agreements on substantially the same terms, pursuant to which the PRC AEON Stores, subsidiaries of the Company, and certain subsidiaries of AEON Co have contracted AIS to provide the Services to each of them, details of which are set out in the section headed “Outsourcing Arrangement” in this announcement.

The duration of the Renewed Outsourcing Agreement shall be three (3) years commencing on 21 July 2011 and ending on 20 July 2014.

As of the date of this announcement, AIS is owned as to 50% by each of AEON Credit Japan and AEON Credit HK which in turn are owned as to 45.6% and 66.22% by AEON Co, a controlling shareholder of the Company, respectively. Accordingly, the transactions contemplated under the Renewed Outsourcing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Annual Caps in respect of the Renewed Outsourcing Agreement and Outsourcing Arrangement exceed 0.1% but are below 5%, the Renewed Outsourcing Agreement and the Outsourcing Arrangement are subject to reporting, announcement and annual review requirements under the Listing Rules and are exempt from independent shareholders’ approval requirements under the Listing Rules.

INTRODUCTION

Reference is made to the announcements dated 23 July 2008 and 22 December 2008 respectively of the Company in relation to the Existing Outsourcing Agreements (the **Announcements**).

The Board is pleased to announce that on 30 August 2011 the PRC AEON Stores entered into the Renewed Outsourcing Agreement on substantially the same terms as the Existing Outsourcing Agreements.

THE RENEWED OUTSOURCING AGREEMENT

- Date:** 30 August 2011
- Parties:** PRC AEON Stores, being subsidiaries of the Company, and Beijing AEON, Qingdao AEON and Mega Sports (Beijing), being subsidiaries of AEON Co, as one party, and AIS as the other party.
- Subject:** Pursuant to the Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) has contracted AIS to provide the Services to each of them, details of the transactions are set out below.
- Term:** The Renewed Outsourcing Agreement has a fixed term of three (3) years commencing on 21 July 2011 and ending on 20 July 2014, subject to early termination as governed by the terms of the Renewed Outsourcing Agreement.
- Consideration:** Each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) shall pay AIS the Service Fee on a monthly basis. Such Service Fee shall be deducted from the repayment sum collected by AIS on behalf of each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) from the Members to settle the outstanding debt balance of their AEON Card accounts.

Outsourcing Arrangement

Beijing AEON, Qingdao AEON and Mega Sports (Beijing) are subsidiaries of AEON Co and are not the subsidiaries of the Company. Further, there is no transaction between Beijing AEON/Qingdao AEON/Mega Sports (Beijing) and the Company and its subsidiaries under the Renewed Outsourcing Agreement.

In accordance with the terms of the Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) has appointed AIS as their respective contractor to provide the Services to each of them including but not limited to the handling of AEON Card applications, the issue of AEON Cards, carrying out other Card Related Businesses and the right to collect certain fees payable by the Members to each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) such as fees for re-issuing AEON Cards and defaulted debt collection charges. Under the Outsourcing Arrangement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) will issue its own AEON Cards to its Members and is required to enter into a card holder agreement with its Members which provides the terms and conditions of the use of AEON Card. They would also set up AEON Card service counters in their respective stores and arrange for the required staff at the service counters. AIS would be responsible for the expenditures incurred by the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) in relation to such AEON Card service counters, including the rental fees, electricity and telephone charges incurred and management fees.

Notwithstanding the Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) is entitled to appoint third party independent contractors to provide the Services to them.

Pursuant to the terms of the Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) shall pay AIS the Service Fee which is determined between each of them and AIS after arm's length negotiations with reference to the fee quotes obtained from other third party independent contractors, the Service Fee offered by AIS which is no less favourable than such fee quotes and the terms under which the historical payments are made by each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) to AIS.

THE ANNUAL CAPS

Historical figures

The historical transaction amounts in respect of the Existing Outsourcing Agreement payable by the PRC AEON Stores to AIS from the period between 21 July 2008 to 31 December 2008, the two years ended 31 December 2010 and the period between 1 January 2011 to 30 June 2011 were HK\$246,000, HK\$3,045,000, HK\$4,987,000 and HK\$2,909,000, respectively. The historical transaction amounts in respect of the Existing Outsourcing Agreement payable by AIS to the PRC AEON Stores from the period between 21 July 2008 to 31 December 2008, the two years ended 31 December 2010 and the period between 1 January 2011 to 30 June 2011 were HK\$43,000, HK\$705,000, HK\$1,380,000 and HK\$1,261,000, respectively.

The Annual Caps

The total aggregated amount payable by each of the PRC AEON Stores to the AIS under the Renewed Outsourcing Agreement shall not exceed the annual caps (the "PRC AEON Stores Annual Caps") below:

| Financial Year/Period | PRC AEON Stores Annual Caps (RMB) |
|------------------------------------|--|
| 21 July 2011 to 31 December 2011 | RMB5,355,000 |
| 1 January 2012 to 31 December 2012 | RMB12,000,000 |
| 1 January 2013 to 31 December 2013 | RMB12,000,000 |
| 1 January 2014 to 20 July 2014 | RMB6,645,000 |

The total aggregated amount payable by AIS to each of the PRC AEON Stores under the Renewed Outsourcing Agreement shall not exceed the annual caps (the "AIS Annual Caps", together with the PRC AEON Stores Annual Caps, the "Annual Caps") below:

| Financial Year/Period | AIS Annual Caps (RMB) |
|------------------------------------|----------------------------------|
| 21 July 2011 to 31 December 2011 | RMB4,908,000 |
| 1 January 2012 to 31 December 2012 | RMB11,000,000 |
| 1 January 2013 to 31 December 2013 | RMB11,000,000 |
| 1 January 2014 to 20 July 2014 | RMB6,092,000 |

Since Beijing AEON, Qingdao AEON and Mega Sports (Beijing) are not subsidiaries of the Company, the amount payable by them to AIS and by AIS to them under the Renewed Outsourcing Agreement shall not be subject to the respective Annual Caps.

The PRC AEON Stores Annual Caps are determined with reference to the anticipated credit sales amount arising out of the Outsourcing Arrangement which is determined based on (i) the historical transaction amounts as set out above; (ii) the statistics and information collected by the respective PRC AEON Stores concerning the payment methods employed by their customers which enable each of the PRC AEON Stores to estimate the total sales proceeds to be generated from credit sales; (iii) the plans concerning AEON Card promotion and Members recruitment activities; and (iv) the estimated business growth arising from the observable increase in the acceptability of credit purchase as reflected in the steady increase of the percentage of sales proceeds generated from credit purchase than from other payment methods in each of the PRC AEON Stores; and (v) economic growth in the PRC. The AIS Annual Caps are determined with reference to the number of stores operated by the PRC AEON Stores in each relevant period, including both existing as well as any new stores.

The terms of the Renewed Outsourcing Agreement have been reached after arm's length negotiations between the relevant parties. The Directors, including all the independent non-executive Directors, consider that the terms of the Renewed Outsourcing Agreement and the Outsourcing Arrangement are on normal commercial terms, that the terms of the Renewed Outsourcing Agreement and the Outsourcing Arrangement, together with the Annual Caps, are fair and reasonable and in the interest of the Company and its shareholders as a whole and that the Renewed Outsourcing Agreement and the Outsourcing Arrangement are entered into in the ordinary and usual course of the business of the Group.

At an earlier meeting of the Board convened to consider the Renewed Outsourcing Agreement and the Outsourcing Arrangement, Mr. Akihito Tanaka, Mr. Haruyoshi Tsuji, Mr. Yoshinori Okuno, Mr. Akio Yoshida, Mr. Takashi Komatsu and Mr. Yuji Yoneta were regarded as potentially having a material interest in the Renewed Outsourcing Agreement and the Outsourcing Arrangement and accordingly abstained from voting on the relevant resolutions.

THE RENEWED CREDIT GUARANTEE AGREEMENT

For the purpose of issuing AEON Cards with credit function to Members, each of the PRC AEON Stores, together with Beijing AEON, Qingdao AEON and Mega Sports (Beijing), has entered into the Renewed Credit Guarantee Agreement with ACG, a subsidiary of AEON Credit Japan, on normal commercial terms in which ACG provides a guarantee in respect of Members' credit purchase from each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing). In the event that a Member does not repay the total amount of the outstanding debt balance in the AEON Card account on the repayment due date, ACG will pay such amount being the difference between the actual amount paid by the Member and the said total amount of the outstanding debt balance to each of the PRC AEON Stores, Beijing AEON, Qingdao AEON or Mega Sports (Beijing), where applicable, and ACG will be assigned all the right to recover the said difference from the defaulting Member.

As at the date of this announcement, ACG is owned as to 50% by each of AEON Credit Japan and AEON Credit HK which in turn are owned as to 45.6% and 66.22% by AEON Co, a controlling shareholder of the Company, respectively. Accordingly, the transactions contemplated under the Renewed Credit Guarantee Agreement constitute a connected transaction of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules. Under such circumstances, the transactions under the Renewed Credit Guarantee Agreement shall be

exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules as the Renewed Credit Guarantee Agreement is for the benefit of the Company and on normal commercial terms where no security over the assets of the Company is granted.

GENERAL

As of the date of this announcement, AIS is owned as to 50% by each of AEON Credit Japan and AEON Credit HK which in turn are owned as to 45.6% and 66.22% by AEON Co, a controlling shareholder of the Company, respectively. Accordingly, the transactions contemplated under the Renewed Outsourcing Agreement constitute continued connected transactions for the Company under the Listing Rules.

Since the applicable percentage ratios defined under Rule 14.07 of the Listing Rules for the Outsourcing Arrangement exceed 0.1% but are below 5%, the transactions under the Renewed Outsourcing Agreement are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirements of independent shareholders' approval under Rules 14A.45 to 14A.47 of the Listing Rules.

Each of the Group (including the Company and the PRC AEON Stores), Beijing AEON and Qingdao AEON is principally engaged in the operation of general merchandise stores. Mega Sports (Beijing) is principally engaged in the operation of sports related specialty stores. AIS is principally engaged in the provision of call centre services.

The Directors believe that by entering into the Renewed Outsourcing Agreement, each of the PRC AEON Stores would be benefited from (i) the data analysis services by AIS to find out the purchase patterns and behaviour of different consumer groups which serve as a basis for designing effective promotional activities targeted to specific consumer groups; (ii) business growth which may be brought by the credit function of AEON Cards and the effective promotional activities; (iii) the full range of Services of AIS which could not be provided by a single third party independent contractors; (iv) more favourable terms including a lower Service Fee offered by AIS to provide the Services to each of the PRC AEON Stores than by other third party independent contractors; and (v) the additional Members that Mega Sports (Beijing) will be able to bring in during the promotional activities who are potential target customers which may enhance business growth of the Group.

DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context requires otherwise:

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| “ACG” | 永旺信用擔保(中國)有限公司 (AEON Credit Guarantee (China) Company Limited), a company established in the PRC and owned as to 50% by each AEON Credit Japan and AEON Credit HK which in turn are owned as to 45.6% and 66.22% by AEON Co, respectively |
| “AEON Card(s)” | the Group's house card(s) with credit function in which the holders of the card may make credit purchase |
| “AEON Co” | AEON Co., Ltd., a company incorporated in Japan and the controlling shareholder of the Company |

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| “AEON China” | 永旺(中國)商業有限公司 (AEON China Co., Ltd.), a company incorporated in the PRC and which was acquired by Shenzhen AEON in the formation of Huanan AEON |
| “AEON Credit HK” | AEON Credit Service (Asia) Co., Ltd., a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and is owned as to 66.22% by AEON Co |
| “AEON Credit Japan” | AEON Credit Service Co., Ltd., a company incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange, Inc. and is owned as to 45.6% by AEON Co. |
| “AIS” | 永旺資訊服務(深圳)有限公司 (AEON Information Services (Shenzhen) Co., Ltd), a company incorporated in the PRC and owned as to 50% by each of AEON Credit Japan and AEON Credit HK which in turn are owned as to 45.6% and 66.22% by AEON Co respectively |
| “Beijing AEON” | 永旺商業有限公司 (Beijing AEON Co., Ltd.), a company incorporated in the PRC and wholly owned by AEON Co |
| “Board” | the board of Directors of the Company |
| “Card Related Businesses” | such businesses including but not limited to organising Members recruitment activities, conducting eligibility examination and creditworthiness assessment on the applicants of AEON Card, the design of AEON Card, the maintenance of Members’ credit purchase records and accounts, the issue of monthly account statements to Members, the provision of computer systems for sales authorization and authentication, the handling and collection of Members’ repayment and defaulted debt, the management of Members’ accounts, the provision of customer services, the generation of monthly sales report and Members’ repayment report and the provision of data analysis services at the own costs of AIS |
| “Company” | AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange |
| “controlling shareholder” | has the same meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “Existing Credit Guarantee Agreement” | the credit guarantee agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON as one party and ACG as the other party on 21 July 2008 and the supplemental outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and ACG as one party and Mega Sports (Beijing) as the other party on 22 December 2008, the terms of which have been disclosed in the Announcements |

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| “Existing Outsourcing Agreement” | the outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON as one party and AIS as the other party on 21 July 2008, the supplemental outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and AIS as one party and Mega Sports (Beijing) as the other party on 22 December 2008, the terms of which have been disclosed in the Announcements, and the supplemental agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) as one party and AIS as the other party on 19 February 2010 |
| “Group” | the Company and its subsidiaries |
| “Guangdong JUSCO” | 廣東吉之島天貿百貨有限公司 (Guangdong JUSCO Teem Stores Co., Ltd.), a company established in the PRC and owned as to 65% by the Company |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Huanan AEON” | 永旺華南商業有限公司 (AEON South China Co., Ltd.), a company established in the PRC and wholly owned by the Company and which was formed through the acquisition of AEON China by Shenzhen AEON |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mega Sports (Beijing)” | 美嘉斯波(北京)商貿有限公司 (Mega Sports China Co., Ltd.), a company established in the PRC and wholly owned by Mega Sports (Japan) |
| “Mega Sports (Japan)” | Mega Sports Co., Ltd., a company incorporated in Japan and owned as to 80.1% by AEON Co |
| “Member(s)” | holder(s) of AEON Card |
| “Outsourcing Arrangement” | the transactions contemplated under the Renewed Outsourcing Agreement |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan |
| “PRC AEON Stores” | Guangdong JUSCO and Huanan AEON (and prior to the establishment of Huanan AEON, includes Shenzhen AEON and AEON China) |
| “Qingdao AEON” | 青島永旺東泰商業有限公司 (Qingdao AEON Co., Ltd.), a company established in the PRC and owned as to 65% by AEON Co |
| “Renewed Credit Guarantee Agreement” | the Existing Credit Guarantee Agreement as renewed by a renewal agreement entered into on 30 August 2011 |

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| “Renewed Outsourcing Agreement” | the Existing Outsourcing Agreement as renewed by a renewal agreement entered into on 30 August 2011 |
| “Services” | including the handling of AEON Card applications, the issue of AEON Cards and carrying out other Card Related Businesses |
| “Service Fee” | a service fee equal to 2% of the total credit sales amount arising out of the Outsourcing Arrangement |
| “Shenzhen AEON” | 深圳永旺商業有限公司(前稱深圳永旺友誼商業有限公司)(Shenzhen AEON Co., Ltd., formerly Shenzhen AEON Friendship Co., Ltd.), a company incorporated in the PRC and the predecessor of Huanan AEON prior to its acquisition of AEON China |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

By order of the Board
Lam Man Tin
Managing Director
AEON Stores (Hong Kong) Co., Limited

Hong Kong, 30 August 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine and Mr. Yuji Yoneta; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Akio Yoshida and Mr. Takashi Komatsu; and the independent non-executive Directors are Prof. Lam Pei Peggy, Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna and Dr. Shao Kung Chuen.