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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 TRANSACTION

SUPPLEMENTAL AGREEMENT TO THE RENEWED OUTSOURCING AGREEMENT

Reference is made to the 2012 Announcement in relation to certain amendments to the Renewed Outsourcing Agreement and the Supplemental Renewed Credit Guarantee Agreement.

As disclosed in the 2012 Announcement, the amendments to the Renewed Outsourcing Agreement will be subject to reassessment by 30 June 2013. The Board wishes to announce that on 26 July 2013 each of the PRC AEON Stores, together with Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and AIS have entered into the Supplemental Agreement, such that the validity period of the amendments effected under the Renewed Outsourcing Agreement (as disclosed in the 2012 Announcement) will be extended to 20 July 2014, and therefore have the same term as the Renewed Outsourcing Agreement. The terms of the Supplemental Renewed Credit Guarantee Agreement remain unchanged.

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%, respectively by AEON Co, a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Renewed Outsourcing Agreement and the Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The AIS Annual Caps under the Renewed Outsourcing Agreement and the Supplemental Agreement will remain unchanged. The PRC AEON Stores Annual Caps under the Renewed Outsourcing Agreement and the Supplemental Agreement will be revised in light of the amendments. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for each of the PRC AEON Stores Annual Caps and the AIS Annual Caps in respect of the Renewed Outsourcing Agreement and the Supplemental Agreement exceed 0.1% but are below 5%, the transactions thereunder 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.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 13 April 2012 in relation to certain amendments to the Renewed Outsourcing Agreement and the Supplemental Renewed Credit Guarantee Agreement (the “**2012 Announcement**”).

Pursuant to the Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) (collectively, the “**AEON Parties**”, and each an “**AEON Party**”) contracted with AIS 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.

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), 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. Further background information and details of the transactions are set out in the 2012 Announcement.

On 13 April 2012, the parties under the Renewed Outsourcing Agreement agreed to certain amendments, as referred to in the 2012 Announcement, which were subject to reassessment by 30 June 2013. On 26 July 2013, the parties under the Renewed Outsourcing Agreement entered into the Supplemental Agreement, such that the validity period of the amendments effected under the Renewed Outsourcing Agreement (as disclosed in the 2012 Announcement) will be extended to 20 July 2014, and therefore have the same term as the Renewed Outsourcing Agreement. The terms of the Supplemental Renewed Credit Guarantee Agreement remain unchanged.

2. THE SUPPLEMENTAL AGREEMENT

Date

26 July 2013

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.

Amendment of validity period

The validity period of the following amendments shall be extended to 20 July 2014, and therefore have the same term as the Renewed Outsourcing Agreement:

- each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) shall continue to make an additional payment to AIS (the “**Additional Fee**”). In particular, AIS shall continue to be paid this Additional Fee which comprises (i) 0.5% of the total sales from deferred payment for purchase of goods made by Members and (ii) an incentive bonus of RMB10.00 for the successful recruitment of each new Member. In addition, the parties will continue the milestones for payment and extended the period for payment by parties.
- AEON Card counters will continue to be merged into AEON store service counters to release store space for more efficient use, to provide convenience to customers and Members and to improve the efficiency of the card business by avoiding duplication of work. Each AEON Party will continue to conduct its own operations and bear the costs arising from operations within the AEON store service counters or areas and the cost savings resulting from such merger and streamlining of operations will be used to promote the usage of autopay services, to set up a card recruitment counter in each store and to install customer hotlines.

Save for the summary of amendments disclosed above, there have not been any amendments to the terms and conditions of the Renewed Outsourcing Agreement.

3. THE ANNUAL CAPS

The Annual Caps under the Renewed Outsourcing Agreement comprises (i) the total aggregated amount payable by each of the PRC AEON Stores to AIS (the “**PRC AEON Stores Annual Caps**”) and (ii) the total aggregated amount payable by AIS to each of the PRC AEON Stores (the “**AIS Annual Caps**”).

The historical transaction amounts in respect of the Renewed Outsourcing Agreement payable by the PRC AEON Stores to AIS for the three years ended 31 December 2012 and the period between 1 January 2013 and 31 March 2013 were RMB4,362,000, RMB4,959,000, RMB5,898,000 and RMB2,580,000, respectively.

The PRC AEON Stores Annual Caps in respect of the year ending 31 December 2013 and the period between 1 January 2014 and 20 July 2014 under the Renewed Outsourcing Agreement were RMB16,000,000 and RMB6,645,000 respectively. In light of the above amendments, the Company proposes to revise the PRC AEON Stores Annual Caps in respect of the year ending 31 December 2013 and the period between 1 January 2014 and 20 July 2014 to RMB20,000,000 and RMB11,000,000 respectively. The total amount payable by each of the PRC AEON Stores to AIS under the Renewed Outsourcing Agreement and the Supplemental Agreement will not exceed these amounts. The AIS Annual Caps will remain the same in respect of the year ending 31 December 2013 and for the period between 1 January 2014 to 20 July 2014, at RMB11,000,000 and RMB6,092,000, respectively. The total aggregated amount payable by AIS to each of the PRC AEON Stores under the Renewed Outsourcing Agreement and the Supplemental Agreement will not exceed these amounts.

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 and the Supplemental Agreement shall not be subject to the Annual Caps.

The PRC AEON Stores Annual Caps have been determined on a similar basis to that stated in the 2012 Announcement. The PRC AEON Stores Annual Caps have been determined with reference to the changes in the structure of the Service Fee, anticipated credit sales amount arising out of the Renewed Outsourcing Arrangement and the Supplemental Agreement 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; (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.

4. REASONS FOR, AND BENEFITS OF, THE SUPPLEMENTAL AGREEMENT

The Directors consider that the Supplemental Agreement and the arrangements thereunder, including the maintenance of the additional Service Fee payments to AIS, the inclusion of an incentive recruitment bonus component in the Service Fee and the merging of AEON Card counters and AEON store service counters will enable the Company to enhance services provided to Members, improve sales and expand the AEON Card Member base and enable the Company to run its business more efficiently.

The terms of the Supplemental 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 Supplemental Agreement are on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole and have been entered into in the ordinary and usual course of the business of the Group.

At a Board meeting convened to consider the Supplemental Agreement Mr. Junichi Suzuki, Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu were regarded as potentially having a material interest in the Supplemental Agreement and accordingly abstained from voting on the relevant resolutions.

5. GENERAL

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.

6. LISTING RULES IMPLICATIONS

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 and the Supplemental Agreement constitute continued connected transactions for the Company under the Listing Rules.

The AIS Annual Caps under the Renewed Outsourcing Agreement and the Supplemental Agreement will remain unchanged. The PRC AEON Stores Annual Caps under the Renewed Outsourcing Agreement and the Supplemental Agreement are revised as set out above. As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for each of the PRC AEON Stores Annual Caps and the AIS Annual Caps in respect of the Renewed Outsourcing Agreement and the Supplemental Agreement exceed 0.1% but are below 5%, the transactions thereunder 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.

7. DEFINITIONS

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

“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 using which the holders of the card may make credit purchases
“AEON Co”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“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 issued shares of which are listed on the Stock Exchange
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong AEON”	廣東永旺天河城商業有限公司(Guangdong AEON Teem Stores Co., Ltd.), a company established in the PRC and owned as to 65% by the Company
“Hong Kong”	the Hong Kong Special Administrative Region, 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
“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
“Members”	holder(s) of AEON Card
“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 AEON and Huanan AEON (and prior to the establishment of Huanan AEON, including 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 renewed credit guarantee agreement entered into on 30 August 2011 between PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing), and ACG as the other party
“Renewed Outsourcing Agreement”	the renewed outsourcing agreement entered into on 30 August 2011 between PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing), and AIS as the other party, as amended by the parties on 13 April 2012
“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 Renewed Outsourcing Arrangement and an additional fee as set out in the Renewed Outsourcing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement amending the Renewed Outsourcing Agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and AIS on 26 July 2013
“Supplemental Renewed Credit Guarantee Agreement”	the supplemental credit guarantee agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and ACG on 13 April 2012

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
Chan Pui Man, Christine
Managing Director

Hong Kong, 26 July 2013

As at the date of this announcement, the executive Directors of the Company are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki, Ms. Chan Suk Jing and Mr. Chak Kam Yuen; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu; and the independent non-executive Directors are Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna, Dr. Shao Kung Chuen and Ms. Chan Yi Jen Candi Anna.