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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 COMMISSION PAYMENT TRANSACTIONS**

Reference is made to the announcements of the Company dated 16 April 2008 and 15 April 2011 respectively in relation to the Master Agreement entered into between the Company and AEON Credit in respect of the Commission Payment Transactions.

As the term of the Master Agreement has expired, the Board is pleased to announce that on 16 April 2014, the respective parties to the Master Agreement entered into the Renewal Agreement to renew the Master Agreement for a further term of three years effective from 15 April 2014 to 14 April 2017.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Annual Caps in respect of the Commission Payment Transactions exceed 0.1% but are below 5%, the Renewal Agreement and the Commission Payment Transactions are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules but exempt from the requirement of independent shareholders' approval.

BACKGROUND

Reference is made to the announcements of the Company dated 16 April 2008 and 15 April 2011 respectively in relation to the Master Agreement entered into between the Company and AEON Credit in respect of the Commission Payment Transactions. As the term of the Master Agreement has expired, the Board is pleased to announce that on 16 April 2014, the respective parties to the Master Agreement entered into the Renewal Agreement to renew the Master Agreement for a further term of three years effective from 15 April 2014 to 14 April 2017. The Renewal Agreement may be terminated prior to the expiry of such fixed term by either party giving not less than 90 days' prior written notice of its

intention to do so to the other party. Subject to compliance with the Listing Rules, the Renewal Agreement may be renewed on such terms and conditions as the parties to the Renewal Agreement may mutually agree.

COMMISSION PAYMENT TRANSACTIONS

Under the Renewal Agreement, the Company shall pay to AEON Credit commissions in return for AEON Credit providing customers of the Company with various credit purchase, hire purchase facilities and other payment solutions. The commissions are calculated on the basis of fixed percentages of the sales generated by the credit purchase or hire purchase facilities or the payment solutions provided by AEON Credit, depending on the type of service provided and as further detailed below. Pursuant to the Renewal Agreement, the Company has agreed to pay commissions to AEON Credit for providing the following facilities and solutions to customers of the Company:

1. credit purchase facilities made available to customers of the Company for making purchases at the Company's stores using AEON JUSCO MasterCard (now known as AEON MasterCard), AEON JUSCO American Express Credit Card (now known as AEON American Express Credit Card), AEON JUSCO VISA Card (now known as AEON VISA Card), AEON JUSCO JCB Card (now known as AEON JCB Card), AEON JUSCO UnionPay Credit Card (now known as AEON UnionPay Credit Card) and any other co-branded credit cards; and card instalment plan made available to customers of the Company for making purchases of goods and/or services at the Company's stores;
2. hire purchase facilities made available to customers of the Company for making purchases of selected goods and/or services at the Company's stores;
3. other payment solutions made and to be made available to customers of the Company for making purchases from time to time, including the usage of any kind of credit, debit, pre-paid and/or stored value cards or other medium or facilities owned and/or operated by AEON Credit; and
4. other related services provided to the Company or its customers which are derived from or ancillary to the transactions described above or arising out of the cards or other medium or facilities from time to time.

based on a payment term ranging from 10 to 40 days.

The commission rates payable by the Company to AEON Credit (as may be agreed to by the parties from time to time) in respect of the Commission Payment Transactions are and will be determined between the Company and AEON Credit after arm's length negotiations. In negotiating and agreeing the commission rates and other terms of the Commission Payment Transactions with AEON Credit, the Company takes into account the prevailing market commission rates for similar types of transactions that are available to the Company and gives credit to AEON Credit for any ancillary services provided and to be provided to the customers of the Company by AEON Credit. The Company has obtained and compared quotes for similar services from independent third parties in the market to determine if the price and terms offered are comparable to those offered by such third parties.

For any other credit facilities that may be provided by AEON Credit to the Company's customers or any other related services that may be provided by AEON Credit to the Company from time to time, the Company will negotiate and agree on the commission rates, fees and/or charges (as the case may be) and other terms of such credit facilities or related services with AEON Credit on the basis as mentioned above. The Company will also solicit quotes from independent third parties in order to ensure that the terms are no less favourable than those from third parties.

ANNUAL CAPS

The Directors estimate that the maximum aggregate amount payable by the Company to AEON Credit on an annual basis in respect of the Commission Payment Transactions under the Renewal Agreement will not exceed the annual caps (the "Annual Caps") below:

Financial Year/Period	Annual Caps
15/4/2014 to 31/12/2014	HK\$15.1 million
1/1/2015 to 31/12/2015	HK\$21.3 million
1/1/2016 to 31/12/2016	HK\$21.3 million
1/1/2017 to 14/4/2017	HK\$6.2 million

In arriving at the Annual Caps, the Directors took into account (i) the historical commission paid by the Company to AEON Credit under the Master Agreement for the past three years ended 31 December 2013, being approximately HK\$9.268 million, HK\$11.427 million and HK\$14.146 million, respectively, (ii) the Company's business growth, and (iii) the expected increase in the volume of the Commission Payment Transactions.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the provision of various credit cards and credit purchase facilities by AEON Credit, which have become increasingly popular with the Company's customers, has provided further value-added service to the Company's customers and has cultivated stronger customer loyalty. The provision of other payment solutions and related services by AEON Credit will further contribute positively in building sales and extending the Company's customer base and the Directors expect that there will be continual growth in sales attributable to the various payment solutions and related services to be provided by AEON Credit to customers of the Company.

The Directors, including all the independent non-executive Directors, are of the view that (i) the Renewal Agreement and the transactions contemplated thereunder (including the Commission Payment Transactions) are on normal commercial terms; (ii) the terms of the Renewal Agreement and the transactions contemplated thereunder, together with the Annual Caps, are fair and reasonable and in the interest of the Company and its shareholders as a whole; and (iii) the Renewal Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of the Company's business. Mr. Junichi Suzuki, Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu may be regarded as having a material interest in the Renewal

Agreement and the transactions contemplated thereunder. Accordingly, Mr. Junichi Suzuki, Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu abstained from voting on the resolutions in respect of the Renewal Agreement and the transactions contemplated thereunder at the meeting of the Board.

GENERAL

As at the date of this announcement, AEON Co., Ltd. holds approximately 71.64% interest in the Company and approximately 66.22% interest 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.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Annual Caps in respect of the Commission Payment Transactions exceed 0.1% but are below 5%, the Renewal Agreement and the Commission Payment Transactions are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules but exempt from the requirement of independent shareholders' approval.

INFORMATION ABOUT THE PARTIES

The Company is principally engaged in the operation of retail stores in Hong Kong, Macau and the People's Republic of China.

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

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
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“Commission Payment Transactions”	transactions entered into and to be entered into between the Company and AEON Credit from time to time pursuant to which the Company pays and will pay to AEON Credit commissions in respect of purchases made by customers of the Company 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 MasterCard (now known as AEON MasterCard), AEON JUSCO American Express Credit Card (now known as AEON American Express Credit Card), AEON JUSCO VISA Card (now known as AEON VISA Card), AEON JUSCO JCB Card (now known as AEON JCB Card), AEON JUSCO UnionPay Credit Card (now known as AEON UnionPay Credit Card) and any other co-branded credit cards, credit instalment facilities, hire purchase facilities, other credit facilities, other payment solutions and other related services provided and that may be 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement dated 14 April 2008 entered into between the Company and AEON Credit in respect of the Commission Payment Transactions, as renewed by a renewal agreement dated 15 April 2011
“Renewal Agreement”	the agreement dated 16 April 2014 entered into between the Company and AEON Credit renewing the Master Agreement for a further term of three years effective 15 April 2014 to 14 April 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 April 2014

As at the date of this announcement, the Executive Directors of the Company are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki, Mr. Yoshiaki Mizushima and Mr. Chak Kam Yuen; the Non-executive Directors are Mr. Yoshinori Okuno, Mr. Yutaka Agawa, Ms Yuki Habu and Mr. Kazuhiko Yasukawa; and the independent non-executive Directors are Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna, Ms. Chan Yi Jen Candi Anna and Ms. Lo Miu Sheung, Betty.