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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
RENEWED OUTSOURCING AGREEMENT AND
RENEWED CREDIT GUARANTEE AGREEMENT**

Reference is made to the 2011 Announcement, the 2012 Announcement and the 2013 Announcement in relation to the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement.

The Board wishes to announce that on 22 July 2014, each of the PRC AEON Stores, together with Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and AIS have entered into the Outsourcing Supplemental Agreement to extend the term of the Renewed Outsourcing Agreement to 20 July 2015. On the same day, each of the PRC AEON Stores, together with Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and ACG entered into the Credit Guarantee Supplemental Agreement to extend the term of the Renewed Credit Guarantee Agreement to 20 July 2015.

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 as renewed by the Outsourcing Supplemental 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 each of the Annual Caps in respect of the Renewed Outsourcing Agreement exceed 0.1% but are below 5%, the transactions thereunder are subject to annual review and all disclosure requirements under the Listing Rules and are exempt from shareholders' approval requirements under the Listing Rules.

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%, respectively by AEON Co, a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Renewed Credit Guarantee Agreement as renewed by the Credit Guarantee Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules. Moreover, the transactions under the Renewed Credit Guarantee Agreement shall be fully exempt under Rule 14A.90 of the Listing Rules from shareholders' approval, annual review and all disclosure requirements since the Renewed Credit Guarantee Agreement is on normal commercial terms or better and is not secured by the assets of the Group.

1. INTRODUCTION

Reference is made to the announcements of the Company dated 30 August 2011 (the “**2011 Announcement**”), 13 April 2012 (the “**2012 Announcement**”) and 26 July 2013 (the “**2013 Announcement**”) in relation to the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement.

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. The PRC AEON Stores shall pay to AIS the Service Fee in respect of the arrangements under the Renewed Outsourcing Agreement. 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. The Services offered by AIS are all-inclusive, including but not limited to individual services such as conducting eligibility examination and creditworthiness assessment on the applicants of AEON Card, maintenance of Members' credit purchase records and accounts, the provision of computer systems for sales authorization and authentication, and the handling and collection of Members' repayment and defaulted debt. In negotiating and agreeing the Service Fee, the PRC AEON Stores took into account the price and terms of similar types of such individual services that may be provided by third parties, and the prevailing rates were thus determined with reference to the fee quotes obtained on the individual services.

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. No consideration or fees will be payable in relation to the Renewed Credit Guarantee Agreement. Further background information and details of the transactions are set out in the 2012 Announcement.

On 13 April 2012 and 26 July 2013, the parties under the Renewed Outsourcing Agreement agreed to certain amendments under the Supplemental Renewed Outsourcing Agreement and the Supplement Agreement, as referred to respectively in the 2012 Announcement and the 2013 Announcement. On 22 July 2014, the parties under the Renewed Outsourcing Agreement entered into the Outsourcing Supplemental Agreement to extend the term of the Renewed Outsourcing Agreement to 20 July 2015.

On 13 April 2012, the parties under the Renewed Credit Guarantee Agreement agreed to certain amendments under the Supplemental Renewed Credit Guarantee Agreement, as referred to in the 2012 Announcement. On 22 July 2014, the parties under the Renewed Credit Guarantee Agreement entered into the Credit Guarantee Supplemental Agreement to extend the term of the Renewed Credit Guarantee Agreement to 20 July 2015.

2. THE OUTSOURCING SUPPLEMENTAL AGREEMENT

Date

22 July 2014

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 Renewed Outsourcing Agreement shall be extended to 20 July 2015.

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 2013 and the period between 1 January 2014 and 31 March 2014 were RMB4,959,000, RMB5,898,000, RMB9,189,000 and RMB2,314,000, respectively.

The total aggregate amount payable by each of the PRC AEON Stores to AIS under the Renewed Outsourcing Agreement will not exceed the annual caps set out below:

Period	PRC AEON Stores Annual Caps (RMB)
21 July 2014 to 31 December 2014	RMB9,000,000
1 January 2015 to 20 July 2015	RMB11,000,000

The total aggregated historical transaction amounts in respect of the Renewed Outsourcing Agreement payable by AIS to each of the PRC AEON Stores for the three years ended 31 December 2013 and the period between 1 January 2014 and 31 March 2014 were RMB2,465,000, RMB938,000, RMB339,000 and RMB68,000, respectively.

Period	AIS Annual Caps (RMB)
21 July 2014 to 31 December 2014	RMB4,908,000
1 January 2015 to 20 July 2015	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 Annual Caps.

The Annual Caps have been determined on a similar basis to that stated in the 2011 Announcement, the 2012 Announcement and the 2013 Announcement. The PRC AEON Stores Annual Caps have been determined with reference to the structure of the Service Fee, anticipated credit sales amount arising out of the Renewed 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; (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 have been 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.

4. THE CREDIT GUARANTEE SUPPLEMENTAL AGREEMENT

Date

22 July 2014

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 ACG as the other party.

Amendment of validity period

The validity period of the Renewed Credit Guarantee Agreement shall be extended to 20 July 2015.

5. REASONS FOR, AND BENEFITS OF, THE OUTSOURCING SUPPLEMENTAL AGREEMENT AND THE CREDIT GUARANTEE SUPPLEMENTAL AGREEMENT

The Directors consider that the entry to the Outsourcing Supplemental Agreement and the Credit Guarantee Supplement Agreement, to renew the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement and the arrangements thereunder on the previously amended basis, 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. Since AIS and ACG have been providing reliable and satisfactory service at competitive rates and are familiar with the Company's operations and objectives, the Directors believe that the Company should continue to engage AIS and ACG, on these revised terms, for business continuity reasons.

The terms of the Outsourcing Supplemental Agreement and Credit Guarantee 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 Outsourcing Supplemental Agreement and the Credit Guarantee Supplemental Agreement are respectively 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 Outsourcing Supplemental Agreement and the Credit Guarantee Supplemental Agreement, Mr. Junichi Suzuki, Mr. Yoshiaki Mizushima, Mr. Yoshinori Okuno, Mr. Yutaka Agawa, Ms. Yuki Habu and Mr. Kazuhiko Yasukawa were regarded as potentially having a material interest in the Outsourcing Supplemental Agreement and the Credit Guarantee Supplemental Agreement and accordingly abstained from voting on the relevant resolutions.

6. 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. ACG is principally engaged in the provision of credit guarantee business.

7. 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 constitute continued 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 each of the Annual Caps in respect of the Renewed Outsourcing Agreement as renewed by the Credit Guarantee 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.

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%, respectively by AEON Co, a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Renewed Credit Guarantee Agreement as renewed by the Credit Guarantee Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules. Moreover, the transactions under the Renewed Credit Guarantee Agreement shall be fully exempt under Rule 14A.90 of the Listing Rules from shareholders' approval, annual review and all disclosure requirements since the Renewed Credit Guarantee Agreement is on normal commercial terms or better and is not secured by the assets of the Group.

8. 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 organizing 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
“Credit Guarantee Supplemental Agreement”	the agreement amending the Renewed Credit Guarantee Agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and ACG on 22 July 2014
“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
“Outsourcing 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 22 July 2014
“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
“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, as amended or supplemented from time to time
“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 or supplemented from time to time
“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 transactions contemplated under the Renewed Outsourcing Agreement and an additional fee comprising (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, as set out in the Supplemental 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 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
“Supplemental Renewed Outsourcing Agreement”	the supplemental outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and AIS on 13 April 2012

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

Hong Kong, 22 July 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.