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## JUSCO STORES (HONG KONG) CO., LIMITED

(Incorporated in Hong Kong with limited liability)

### ON-GOING CONNECTED TRANSACTIONS WITH AEON CREDIT

In the annual general meeting of the Company held on 16th June, 1999, the Independent Shareholders approved a resolution authorising the Directors to remunerate Aeon Credit in respect of the Commission Payment Transactions provided that the aggregate amount of commissions payable to Aeon Credit in any financial year shall not exceed the Current Prescribed Threshold. The Commission Payment Transactions constitute connected transactions under the Listing Rules and the Stock Exchange granted the Current Waiver from strict compliance with the requirements of the Listing Rules. One of the conditions of the Current Waiver is that the Current Prescribed Threshold must be reviewed and approved by the Independent Shareholders every three years after its initial approval. The Current Prescribed Threshold is due to be reviewed by the Independent Shareholders at the AGM.

The Company will continue to enter into the Commission Payment Transactions with Aeon Credit. In view of the continuing nature of the Commission Payment Transactions and the expected increase in the amount of commissions payable to Aeon Credit, the Directors have decided to seek the Independent Shareholders' approval at the AGM for the Higher Prescribed Threshold. In view of the different threshold, the Company will also apply to the Stock Exchange for the Proposed Waiver from strict compliance with the requirements of the Listing Rules subject to conditions, except for the Higher Prescribed Threshold, that are similar to the Current Waiver. A circular containing, among other things, (i) the opinion of Tai Fook and the letter of recommendation from the Independent Director in respect of the Commission Payment Transactions and the Higher Prescribed Threshold; and (ii) a notice of the AGM will be sent to the Shareholders shortly after this announcement.

The resolution regarding the Commission Payment Transactions and the Higher Prescribed Threshold will be submitted, among other things, for approval by the Independent Shareholders at the AGM to be held on Thursday, 20th June, 2002.

#### 1. Commission Payment Transactions

The Company has agreed to pay to Aeon Credit commissions in return for Aeon Credit providing its customers with various credit purchase and interest-free hire purchase facilities. The commissions are calculated on the basis of a fixed percentage of the sales made by using the credit purchase or interest-free hire purchase facilities provided by Aeon Credit. Currently, the Company has agreed to pay commissions to Aeon Credit for the following facilities:

- each credit purchase made at the Group's stores using Aeon Card, Aeon Jusco Card, Aeon Jusco MasterCard or Aeon Jusco American Express Card; and
- each purchase of selected home appliances and furniture agreed between the Company and Aeon Credit from time to time made at the Group's stores using interest-free hire purchase facilities provided by Aeon Credit.

The following table sets out the commission rates in respect of the Commission Payment Transactions currently agreed between the Company and Aeon Credit:

Type of credit purchase facilities	Commission rate (as a percentage of the price of the goods purchased)
(i) Aeon Card	1.3%
(ii) Aeon Jusco Card (Note)	0.8%
(iii) Aeon Jusco MasterCard (Note)	0.8%
(iv) Aeon Jusco American Express Card (Note)	0.8%
(v) Interest-free hire purchase facilities	
– 6 months	3% – 4%
– 9 months	2.5%
– 12 months	4.75% – 6%
– 18 months	7.6% – 8.25%
– 24 months	10%

Note: The commission rates charged by Aeon Credit for purchases using these credit cards will be reduced to 0.6% of the purchase price of the goods purchased by using the credit cards on certain specific dates agreed between the Company and Aeon Credit.

The Company and Aeon Credit may also agree that commissions shall be paid by the Company to Aeon Credit in respect of such other credit cards, hire purchase facilities and/or other credit purchase facilities as may be provided by Aeon Credit to the Group's customers at such rates and on such terms as may be agreed between the Company and Aeon Credit from time to time.

The Directors confirmed that the Commission Payment Transactions have been entered into by the Company on normal commercial terms, in the ordinary and usual course of the business of the Group and are fair and reasonable so far as the Shareholders are concerned. In addition, the Directors confirmed that the terms of the current Commission Payment Transactions were negotiated on an arm's length basis and all terms and conditions of any future Commission Payment Transactions will be negotiated on the same basis.

#### 2. Commissions paid by the Group to Aeon Credit for the financial year ended 29th February, 2000 and the two financial years ended 28th February, 2001 and 2002

The following table sets out the total commissions paid by the Group to Aeon Credit for the financial year ended 29th February, 2000, and the two financial years ended 28th February, 2001 and 2002 respectively.

	For the year ended 29th February, 2000		For the year ended 28th February, 2001		For the year ended 28th February, 2002	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Commissions paid to Aeon Credit	16,207,078	15,605,925	15,605,925	15,605,925	20,388,309	20,388,309
Commissions paid as a percentage to the audited consolidated turnover of the Group of the relevant financial year (Note 1)	0.49%	0.46%	0.46%	0.46%	0.55%	0.55%
Commissions paid as a percentage to the audited consolidated net tangible asset value of the Group of the previous financial year (Note 2)	6.61%	5.62%	5.62%	5.62%	5.72%	5.72%

Note 1: Based on the audited consolidated turnover of the Group for the financial year ended 29th February, 2000 and financial years ended 28th February, 2001 and 2002 respectively.

Note 2: Based on the audited consolidated net tangible asset value of Group as at 28th February, 1999, 29th February, 2000 and 28th February, 2001 respectively. Due to the adoption of a number of new accounting standards which has led to some changes in the Group's accounting policies, the audited consolidated net tangible asset values of the Group as at 28th February, 1999, 29th February, 2000 and 28th February, 2001 have been restated to HK\$245,253,000, HK\$277,737,000 and HK\$356,242,000 respectively.

#### 3. Approval by the Independent Shareholders and application for waiver from the disclosure and shareholders' approval requirements under the Listing Rules

Given the ongoing nature of the Commission Payment Transactions, the Directors are of the view that it would not be practicable to make disclosure of or, if necessary, obtain Independent Shareholders' approval on each and every occasion as they arise. The Commission Payment Transactions and the Current Prescribed Threshold were approved by the then Independent Shareholders at the annual general meeting of the Company held on 16th June, 1999. It is a condition under the Current Waiver that the Current Prescribed Threshold must be reviewed and approved by the Independent Shareholders every three years after its initial approval and is now due to be reviewed at the AGM. Due to the expected increase in (i) the value of purchases made by using the credit cards provided by Aeon; and (ii) the level of usage of long-term interest-free hire purchase facilities by the customers of the Group, the Directors are of the view that the Current Prescribed Threshold may not be adequate to cover the expected increase in the amount of commissions payable by the Group to Aeon Credit pursuant to the Commission Payment Transactions in the coming years. The Directors therefore have decided to seek approval from the Independent Shareholders for the Commission Payment Transactions and the Higher Prescribed Threshold (i.e. 1.5% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made) at the AGM. In view of the different threshold, the Company will also apply to the Stock Exchange for the Proposed Waiver covering the three financial years ending 28th February, 2003, 29th February, 2004 and 28th February, 2005 from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions subject to the following conditions:

- that the Commission Payment Transactions and the Higher Prescribed Threshold are approved by the Independent Shareholders at the AGM and shall be subject to the Independent Shareholders' review and approval every three years after its approval;
- that the Commission Payment Transactions are:
  - entered into by the Group in the ordinary and usual course of its business;
  - conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
  - entered into either (a) in accordance with the terms of the agreements governing the Commission Payment Transactions; or (b) (where there are no such agreements) on terms no less favourable than those available from an independent third party;
- that the aggregate amount of commission payments by the Group to Aeon Credit shall not exceed the Higher Prescribed Threshold in the financial year where the Commission Payment Transactions are made;
- the details of the Commission Payment Transactions will be disclosed in the next and successive annual reports of the Company in compliance with Rules 14.25(1)(A) to (D) of the Listing Rules;
- the independent non-executive Directors shall review annually the Commission Payment Transactions and confirm in annual report of the Company for the financial years concerned that the Commission Payment Transactions are conducted in the manner as stated in (ii) and (iii) above; and
- that the Company shall engage its auditors to review the Commission Payment Transactions annually and to provide the Board with a letter (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating that:
  - the Commission Payment Transactions have received the approval from the Board;
  - the aggregate annual value of the Commission Payment Transactions for the relevant financial year has not exceeded the Higher Prescribed Threshold; and
  - the Commission Payment Transactions have been entered into on normal commercial terms or have been entered into in accordance with the terms of the respective agreements governing the Commission Payment Transactions including the commission rates or, where there is no formal written agreements, on terms which are no less favourable than terms available from an independent third party.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter referred to in paragraph (vi) above, the Directors shall contact the Stock Exchange immediately.

Should the aggregate amount of commissions payable to Aeon Credit pursuant to the Commission Payment Transactions exceeds the Higher Prescribed Threshold in the financial year where the Commission Payment Transactions are made, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### 4. General

The principal activities of the Group are the operation of general merchandise stores. As at the date of this announcement, AEON Co. is a substantial shareholder of the Company, holding approximately 71.64% of the issued share capital of the Company. Since AEON Co. holds approximately 66.22% of the issued share capital of Aeon Credit as at the date of this announcement, Aeon Credit is an associate of AEON Co. and the Commission Payment Transactions constitute connected transactions of the Company under the Listing Rules.

AEON Co. and Aeon Credit (holding, as at the date of this announcement, approximately 0.68% of the issued share capital of the Company) and their respective associates will abstain from voting on the resolution to be proposed at the AGM relating to the Commission Payment Transactions and the Higher Prescribed Threshold.

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.

Pursuant to the requirements of the Listing Rules, the Company has appointed the Independent Director, Ms. Lam Pei, Peggy, to advise the Independent Shareholders on the terms of the Commission Payment Transactions and the Higher Prescribed Threshold. As the other independent non-executive Director, Mr. Shao You Bao, is also an independent non-executive Director of Aeon Credit, only Ms. Lam Pei, Peggy, is considered independent to advise the Independent Shareholders regarding the Commission Payment Transactions and the Higher Prescribed Threshold. The Company has also appointed Tai Fook as the independent financial adviser to advise the Independent Director on terms and conditions of the Commission Payment Transactions. A circular containing, among other things, (i) the opinion of Tai Fook and the letter of recommendation from the Independent Director in respect of the Commission Payment Transactions and the Higher Prescribed Threshold; and (ii) a notice of the AGM will be sent to the Shareholders shortly after this announcement.

## 5. Definitions

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

"AEON Co."	AEON Co. Ltd. (formerly known as JUSCO Co., Ltd.) a substantial shareholder of the Company holding approximately 71.64% of the issued share capital of the Company as at the date of this announcement
"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
"AGM"	the annual general meeting of the Company to be held at Ballroom A, Island Shangri-la Hong Kong, 2 Pacific Place, Supreme Court Road, Hong Kong on Thursday, 20th June, 2002 at 9:00 a.m.
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Commission Payment Transactions"	such transactions as may be agreed between the Company and Aeon Credit from time to time pursuant to which the Company will pay 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 Cards, Aeon Jusco Cards, Aeon Jusco MasterCards, Aeon Jusco American Express Cards and interest-free hire purchase facilities provided by Aeon Credit, which commission payments by the Group to Aeon Credit constitute connected transactions of the Company under the Listing Rules
"Company"	Jusco Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Current Prescribed Threshold"	1% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made, being the threshold for the aggregate amount of commissions payable to Aeon Credit in any financial year in respect of the Commission Payment Transactions as approved by the then Independent Shareholders in 1999
"Current Waiver"	the conditional waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions granted by the Stock Exchange in 1999
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Higher Prescribed Threshold"	1.5% of the audited consolidated turnover of the Group in the financial year where the Commission Payment Transactions are made, being the new threshold for the aggregate amount of commissions payable to Aeon Credit in any financial year in respect of the Commission Payment Transactions as proposed by the Directors to be approved at the AGM
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Director"	Ms. Lam Pei, Peggy, an independent non-executive Director appointed to advise the Independent Shareholders on the terms of the Commission Payment Transactions and the Higher Prescribed Threshold
"Independent Shareholders"	Shareholders other than AEON Co. and Aeon Credit and their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Proposed Waiver"	the conditional waiver from strict compliance with Rules 14.25 and 14.26 of the Listing Rules regarding the Commission Payment Transactions which is, with the exception of the Higher Prescribed Threshold, on terms similar to the Current Waiver, the details of which are described under the paragraph headed "Approval by the Independent Shareholders and application for waiver from the disclosure and shareholders' approval requirements under the Listing Rules"
"Share(s)"	share(s) of HK\$0.20 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Fook"	Tai Fook Capital Limited, the independent financial adviser to the Independent Director
"%"	per cent.
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**Kazumasa Ishii**  
Managing Director

Hong Kong, 10th May, 2002