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AEON CREDIT SERVICE (ASIA) COMPANY LIMITED **AEON 信貨財務(亞洲)有限公司**

(Incorporated in Hong Kong with limited liability)

AEON

CONNECTED TRANSACTION

The Company has agreed to standardise the commission rates payable by AEON Stores in respect of certain purchases made by customers which are financed by hire purchase facilities provided by the Company.

PARTIES

AEON Credit Service (Asia) Company Limited (the “**Company**”) is principally engaged in the provision of consumer finance services, which include the issuance of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

AEON Stores (Hong Kong) Co., Limited (“**AEON Stores**”) is a company listed on The Stock Exchange of Hong Kong Limited and is principally engaged in the operation of general merchandise stores.

TRANSACTION

The Company provides interest-free hire purchase financing to customers for certain purchases made by customers for which the Company receives commission from AEON Stores at the rates ranging from 3% to 10%, details of which were disclosed in the Company’s announcements dated 30th April 2002 and 30th April 2003. With effect from 5th January 2004, the commission rate payable by AEON Stores is 3% for such interest-free hire purchase.

The commission rate was arrived at after arm’s length negotiations between the parties, based on the prevailing market conditions and the mutual benefits derived from the transaction.

The directors of the Company, including the independent non-executive directors, consider that the transaction is on normal commercial terms which are fair and reasonable as far as the shareholders of the Company are concerned.

CONNECTION BETWEEN THE PARTIES

AEON Stores is a non-wholly subsidiary of **AEON Co., Ltd.**, which is a substantial shareholder of the Company indirectly interested in approximately 66.2% of the issued share capital of the Company. AEON Stores is therefore a connected person of the Company and the transaction constitutes a connected transaction for the Company under the Listing Rules.

DISCLOSURE

As the aggregate commission received by the Company from AEON Stores during the financial year ending 20th February 2004 is expected to represent less than the higher of either HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts as at 20th February 2003 (“Threshold”), in accordance with Rule 14.25(1) of the Listing Rules, the Company is required to make this announcement and disclose such details in its next published annual report and accounts. If the aggregate commission received by the Company during the financial year ending 20th February 2004 exceeds the Threshold, the Company will be required to obtain shareholders’ approval and comply with the relevant provisions of the Listing Rules.

By order of the board
Masanori Kosaka
Managing Director

Hong Kong, 2nd January 2004

“Please also refer to the published version of this announcement in China Daily”.