



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)

**CONTINUING CONNECTED TRANSACTIONS:
THE AMENDMENT AGREEMENT**

Reference is made to the announcement and circular (the "Circular") of the Company dated 12 December 2006 and 3 January 2007 respectively in relation to the Amendment Agreement entered into between the Company and the Adviser on 12 December 2006 to amend the Technical Assistance Agreement and the set up of the Cap as the maximum aggregate annual value of the fees and expenses payable by the Company to the Adviser. The Transaction and the Cap have been approved by poll by the Independent Shareholders at the extraordinary general meeting held by the Company on 26 January 2007.

The Directors wish to announce that on 2 April 2007, the Company entered into a supplemental agreement (the "Supplemental Agreement") with the Adviser to amend the definition of "Total of Revenue" as defined in the Amendment Agreement (the "Amendment").

As the Adviser is the controlling Shareholder (as defined under the Listing Rules) and the transactions contemplated under the Amendment Agreement proposed to be amended by the Supplemental Agreement constitute non-exempt continuing connected transactions for the Company, the Amendment is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Amendment will be subject to approval of the Independent Shareholders at the extraordinary general meeting to be held by the Company by way of poll. The Adviser and its associates will abstain from voting on the ordinary resolution in respect of the Amendment to be proposed at the extraordinary general meeting.

A circular containing, among other things, the details of the Amendment, the recommendation of the Independent Board Committee to the Independent Shareholders and the letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement and circular of the Company dated 12 December 2006 and 3 January 2007 respectively in relation to the Amendment Agreement entered into between the Company and the Adviser on 12 December 2006 to amend the Technical Assistance Agreement and the set up of the Cap as the maximum aggregate annual value of the fees and expenses payable by the Company to the Adviser. The Transaction and the Cap have been approved by poll by the Independent Shareholders at the extraordinary general meeting held by the Company on 26 January 2007. Unless otherwise defined herein, terms used in this announcement shall have the same meanings as defined in the Circular.

THE SUPPLEMENTAL AGREEMENT

On 2 April 2007, the Company entered into the Supplemental Agreement with the Adviser to amend the definition of "Total of Revenue" as defined in the Circular. As mentioned in the Circular, pursuant to the Amendment Agreement, amongst others, the Company shall pay to the Adviser an amount representing 0.4% of the audited consolidated Total of Revenue of the Company and its Affiliates in that financial year. "Total of Revenue" is defined in the Amendment Agreement as (i) the amount of the "turnover" stated in the Company's annual audited consolidated income statement plus (ii) the amount of the "other income" stated in the Company's annual audited consolidated income statement but deducting therefrom such incomes not from licensees/sub-tenants of the Company and its Affiliates (i.e. operating revenue) and (iii) minus such items of the "turnover" and "other income" not originating from business carried on by the Company and/or its Affiliates under the Trade Marks.

The amount of the "turnover" stated in the Company's annual audited consolidated income statements prior to the financial year ended 31 December 2006 comprises the following items:

- (i) the total amount of the consolidated direct sales of the Company and its Affiliates ("Direct Sales"); and
- (ii) the total amount of the consolidated sales of the respective concessionaires of the Company and its Affiliates ("Concessionaires Sales").

As a result of the change in the presentation of the Company's annual audited consolidated income statements commencing from the financial year ended 31 December 2006, the amount of "turnover" in the Company's annual audited consolidated income statements is re-stated as the amount of "revenue" and comprises the following items:

- (i) Direct Sales; and
- (ii) income received from the respective concessionaires of the Company and its Affiliates being a percentage of the Concessionaires Sales.

This change in the presentation of the Company's annual audited consolidated income statements commencing from the financial year ended 31 December 2006 directly affects the determination of the amount of royalty payable to the Adviser which is neither intended nor agreed by the Adviser. Accordingly, in order to reflect the original basis of the determination that has been agreed between the Company and the Adviser, the Company and the Adviser have mutually agreed to enter into the Supplemental Agreement to amend the definition of "Total of Revenue" in the Amendment Agreement.

Pursuant to the Supplemental Agreement, "Total of Revenue" shall be amended to mean "the aggregate of:

- (i) the Direct Sales;
- (ii) the Concessionaire Sales; and
- (iii) the total amount of licensee fees and rentals received by the Company and its Affiliates from licensees and sub-tenants of the Company and its Affiliates,

all attributable to the exclusive and non-exclusive rights granted by the Adviser to the Company to use the Trade Marks under this Agreement. For the avoidance of doubt, discounts, refunds/return of goods and sales or purchases taxes or levies shall not form part of the items (i) to (iii) above for the purpose of the definition of "Total of Revenue."

This amended definition of "Total of Revenue" is substantially the same as the definition of "Total of Revenue" in the Amendment Agreement prior to the Company's change in the presentation of its annual audited consolidated income statements as stated above. The Amendment therefore is purely a technical amendment that does not change in any substantive manner the determination of the amount of royalty payment payable to the Adviser that has been mutually agreed between the Company and the Adviser under the Amendment Agreement.

The Directors (including the independent non-executive Directors) confirm that the Amendment is technically considered as a material change to the terms of the Amendment Agreement under Rule 14A.36. Since there is no change in the original basis of the determination of the amount of royalty payment to the Adviser that has been mutually agreed between the Company and the Adviser under the Amendment Agreement, the maximum aggregate annual value for the fees and expenses payable to the Adviser by the Company of HK\$47 million for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009 remains the same.

The Supplemental Agreement is subject to and shall become effective upon the Supplemental Agreement being approved by the Independent Shareholders or upon the Stock Exchange confirming in writing that no such approval is required.

Save for the above, there is no other amendment to the Amendment Agreement pursuant to the Supplemental Agreement.

INFORMATION ABOUT THE GROUP AND THE ADVISER

The Group is principally engaged in the operation of general merchandise stores in Hong Kong, Macau and PRC. As at the date of this announcement, the Group operated (i) seven general merchandise stores, two supermarkets and eleven "HK\$10 Plaza" in Hong Kong; and (ii) nine general merchandise stores and one shopping centre in Guangdong Province, PRC.

The Adviser is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. The Adviser's subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, the operation of specialty stores, the development of shopping centres as well as service and other operations in Japan and other Asian countries.

The Adviser is the controlling Shareholder (as defined under the Listing Rules) and as at the date of this announcement, the Adviser was interested in approximately 71.64% of the issued share capital of the Company.

REASONS FOR THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

As mentioned above, the Amendment arises purely as a result of a change in the Company's presentation of its annual audited consolidated income statements commencing from the financial year ended 31 December 2006 and is necessary in order to reflect the original basis for the determination of the amount of royalty payable by the Company to the Adviser that has been agreed mutually between the Company and the Adviser under the Amendment Agreement.

The Directors (including the independent non-executive Directors, who will further render their opinion upon receipt of the opinion of the independent financial adviser) are of the view that the Amendment is fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and are in the interests of the Independent Shareholders and the Group as a whole.

GENERAL

As the Adviser is the controlling Shareholder (as defined under the Listing Rules) and the transactions contemplated under the Amendment Agreement proposed to be amended by the Supplemental Agreement constitute non-exempt continuing connected transactions for the Company, the Amendment is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Amendment will be subject to approval of the Independent Shareholders at the extraordinary general meeting to be held by the Company by way of poll. The Adviser and its associates will abstain from voting on the ordinary resolution in respect of the Amendment to be proposed at the extraordinary general meeting.

A circular containing, among other things, the details of the Amendment, the recommendation of the Independent Board Committee to the Independent Shareholders and the letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

By Order of the Board
Lam Man Tin
Managing Director

Hong Kong, 3 April 2007

As at the date of this announcement, the Board comprises Mr. Lam Man Tin, Mr. Yutaka Fukumoto and Mr. Wong Mun Yu as executive Directors, Mr. Toshiji Tokiwa, Mr. Akihito Tanaka, Mr. Tatsuichi Yamaguchi and Mr. Naoyuki Miyashita as non-executive Directors, and Madam Lam Pei Peggy, Mr. Sham Sui Leung, Daniel and Mr. Cheng Yin Ching, Anna as independent non-executive Directors.