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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AEON Stores (Hong Kong) Co., Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS:
THE AMENDMENT AGREEMENT**

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the board of directors of AEON Stores (Hong Kong) Co., Limited is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 9 of this circular. A letter of advice from Taifook Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 15 of this circular.

A notice of the extraordinary general meeting of AEON Stores (Hong Kong) Co., Limited to be held at Victoria Room, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 23 May 2007 at 10:15 a.m. or immediately after the close of the Annual General Meeting of AEON Stores (Hong Kong) Co., Limited to be held at the same place and on the same day at 10:00 a.m. is set out on pages 22 to 23 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person should you so wish.

24 April 2007

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Adviser”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“Affiliates”	with respect to a party to the Technical Assistance Agreement or the Amendment Agreement, means all companies, firms, corporations or other entities which are either directly or indirectly controlling, controlled by or under common control with that party, provided that this term when referring to the Company and its Affiliates shall not include the Adviser and companies owned or controlled by the Adviser other than the Company and companies directly or indirectly controlled by the Company and, when referring to the Adviser and its Affiliates, shall not include the Company and companies owned or directly or indirectly controlled by the Company
“Amendment”	the amendment of the definition of “Total of Revenue” in the Amendment Agreement as set out in the Supplemental Agreement
“Amendment Agreement”	the agreement entered into on 12 December 2006 between the Company and the Adviser to amend certain terms of the Technical Assistance Agreement
“Announcement”	the announcement dated 3 April 2007 issued by the Company in relation to the Supplemental Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Cap”	the maximum aggregate annual value for the fees and expenses payable to the Adviser by the Company of HK\$47 million pursuant to the Amendment Agreement for each of the three years ending 31 December 2007, 31 December 2008, and 31 December 2009, respectively
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which (Stock Code: 984) are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company at Victoria Room, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 23 May 2007 at 10:15 a.m. or immediately after the close of the Annual General Meeting of the Company to be held at the same place and on the same day at 10:00 a.m., to consider and, if thought fit, to approve the Amendment
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board which comprises Madam Lam Pei Peggy, Mr. Sham Sui Leung, Daniel and Ms. Cheng Yin Ching, Anna, established to make recommendations to the Independent Shareholders in respect of the Amendment
“Independent Shareholders”	Shareholders other than the Adviser and its associates who are required to abstain from voting on the ordinary resolution in respect of the Amendment
“Latest Practicable Date”	19 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	registered holders of the Share(s) from time to time
“Share(s)”	share(s) of par value HK\$0.20 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Agreement”	the agreement dated 2 April 2007 entered into between the Company and the Adviser in relation to the Amendment
“Taifook”	Taifook Capital Limited, a licensed corporation under the SFO to carry out Type 6 regulated activity (advising on corporate finance) and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement
“Technical Assistance Agreement”	the agreement entered into on 31 December 1993 between the Company and the Adviser for the provision by the Adviser to the Company of technical assistance including (i) the right to use certain trade marks of the Adviser and (ii) all information and know-how (including that comprised in formulae, techniques, designs, specifications, drawings, manuals, instructions and catalogues) used, employed or developed by the Adviser for the management and operation of retail stores, wholesale business and related supporting facilities (as the same may from time to time be modified, improved, updated or amended), in consideration of an annual fee paid by the Company to the Adviser
“Trade Marks”	(i) the trade marks $\text{\text{AEON}}$, $\text{\text{永旺}}$ and $\text{\text{JUSCO}}$ registered by the Adviser in Hong Kong in classes 35 and 42 short descriptions of which are contained in Part 1 of Schedule 2 to the Amendment Agreement; (ii) the trade marks $\text{\text{AEON}}$, $\text{\text{永旺}}$ and $\text{\text{JUSCO}}$ registered by the Adviser in the PRC in classes 35 and 42 short descriptions of which are contained in Part 2 of Schedule 2 to the Amendment Agreement; (iii) the trade marks $\text{\text{AEON}}$, and $\text{\text{JUSCO}}$ registered by the Adviser in Macau in classes 35 and 42 short descriptions of which are contained in Part 3 of Schedule 2 to the Amendment Agreement; and (iv) such other trade marks that are owned and registered by the Adviser in the Territory and the PRC and may be licensed to the Company from time to time
“Transaction”	the Amendment Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Directors:

Mr. Toshiji Tokiwa* (*Chairman*)
Mr. Lam Man Tin (*Managing Director*)
Mr. Yutaka Fukumoto (*Deputy Managing Director*)
Mr. Wong Mun Yu
Mr. Akihito Tanaka*
Mr. Tatsuichi Yamaguchi*
Mr. Naoyuki Miyashita*
Madam Lam Pei Peggy#
Mr. Sham Sui Leung, Daniel#
Ms. Cheng Yin Ching, Anna#

* *non-executive Directors*

independent non-executive Directors

Registered Office:

G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Head Office and Principal

Place of Business in Hong Kong:

3rd Floor
Stanhope House
738 King's Road
Quarry Bay
Hong Kong

24 April 2007

To the Shareholders,

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: THE AMENDMENT AGREEMENT

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 pursuant to the Amendment Agreement 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 the Supplemental Agreement with the Adviser to amend the definition of "Total of Revenue" in the Amendment Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to give you (i) further information regarding the Supplemental Agreement; (ii) the notice of the EGM; (iii) the letter of advice from Taifook to the Independent Board Committee and the Independent Shareholders in respect the Amendment; (iv) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Amendment; and (v) other information as required under the Listing Rules.

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” in the Amendment Agreement.

Pursuant to the Amendment Agreement, among 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. “Other income” is primarily rents and licensee fees and miscellaneous income.

The amount of the “turnover” stated in the Company’s annual audited consolidated income statement prior to the year ended 31 December 2006 comprises the following items:

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

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

- (i) the 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 statement 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.

LETTER FROM THE BOARD

Pursuant to the Supplemental Agreement, the definition of “Total of Revenue” in the Amendment Agreement 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”.

“The amount of the “other income” as 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 (ie operating revenue)” under the definition of “Total of Revenue” in the Amendment Agreement is equal to “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” under the definition of “Total of Revenue” in the Supplemental Agreement. Whereas the part “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 under the definition of “Total of Revenue” in the Amendment Agreement corresponds with “all attributable to the exclusive and non-exclusive rights granted by the Adviser to the Company to use the Trademarks” under the definition of “Total of Revenue” in the Supplemental Agreement.

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 statement 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. Other than the difference between the presentation of the definition of “Total of Revenue” as set out in the Amendment Agreement and the amended definition of “Total of Revenue” as set out in the Supplemental Agreement, the underlying meaning of the amended definition of “Total of Revenue” in the Supplemental Agreement is the same as that of the definition of “Total of Revenue” in 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 Amendment is subject to and shall become effective upon its being approved by the Independent Shareholders or upon the Stock Exchange confirming in writing that no such approval is required.

LETTER FROM THE BOARD

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 Latest Practicable Date, the Group operated (i) seven general merchandise stores, two supermarkets and eleven “HK\$10 Plaza” in Hong Kong; and (ii) nine general merchandise stores, one supermarket and one shopping centre in Guangdong Province, the 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 Latest Practicable Date, 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 statement commencing from the 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 mutually agreed between the Company and the Adviser under the Amendment Agreement.

The Directors (including the independent non-executive Directors) 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 is in the interests of the Independent Shareholders and the Group as a whole.

LISTING RULES IMPLICATIONS

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 EGM 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 EGM.

EGM

A notice of the EGM to be held at Victoria Room, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 23 May 2007 at 10:15 a.m. or immediately after the close of the Annual General Meeting of the Company to be held at the same place and on the same day at 10:00 a.m. is set out on pages 22 to 23 of this circular. At the EGM, an

LETTER FROM THE BOARD

ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Amendment. The ordinary resolution to be proposed at the EGM will be determined by way of poll by the Independent Shareholders.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the share registrar of the Company in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you wish to do so.

An announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

RECOMMENDATIONS

Your attention is drawn to the letter of advice from Taifook to the Independent Board Committee and the Independent Shareholders in respect of the Amendment set out on pages 10 to 15 of this circular, and the letter of recommendation from the Independent Board Committee as set out on page 9 of this circular.

The Independent Board Committee comprising Madam Lam Pei Peggy, Mr. Sham Sui Leung, Daniel and Ms. Cheng Yin Ching, Anna has been established to consider and advise the Independent Shareholders in respect of the Amendment. Taifook has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment.

The Independent Board Committee, having taken into account the advice of Taifook and the principal factors and reasons considered by Taifook, is of the view that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Independent Shareholders and the Group as a whole; (ii) the Amendment is on normal commercial term; and (iii) the Amendment is fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and is in the interests of the Independent Shareholders and the Group as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Amendment at the EGM.

GENERAL

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

On behalf of the Board
AEON Stores (Hong Kong) Co., Limited
Lam Man Tin
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24 April 2007

To the Independent Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS:
THE AMENDMENT AGREEMENT**

We refer to the circular (the “Circular”) dated 24 April 2007 issued by AEON Stores (Hong Kong) Co., Limited of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires. We have been appointed by the Board as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Amendment. Taifook has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Your attention is drawn to the “Letter from the Board”, the advice of Taifook to the Independent Board Committee and the Independent Shareholders in respect of the Amendment as set out in the “Letter from Taifook” as well as other additional information set out in the appendix to the Circular.

Having taken into account the advice of Taifook, we consider that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Independent Shareholders and the Group as a whole; (ii) the Amendment is on normal commercial term; and (iii) the Amendment is fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and is in the interests of the Independent Shareholders and the Group as a whole. Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Amendment at the EGM.

Yours faithfully,

Independent Board Committee

Lam Pei Peggy

Sham Sui Leung, Daniel

Cheng Yin Ching, Anna

Independent non-executive Directors

LETTER FROM TAIFOOK

The following is the text of a letter of advice received from Taifook prepared for the purpose of inclusion in this circular in respect of the Amendment.



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

24 April 2007

*To the Independent Board Committee and the Independent Shareholders
AEON Stores (Hong Kong) Co., Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: THE AMENDMENT AGREEMENT

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the entering into of the Supplemental Agreement between the Company and the Adviser to amend the definition of "Total of Revenue" as defined in the Amendment Agreement, details of which are set out in the "Letter from the Board" (the "Letter") of the circular (the "Circular") dated 24 April 2007 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

The Directors confirm that the Amendment is technically considered as a material change to the terms of the Amendment Agreement under the Listing Rule 14A.36. As referred to in the Letter, the Adviser was interested in approximately 71.64% of the issued share capital of the Company and was the controlling Shareholder (as defined under the Listing Rules) as at the Latest Practicable Date. Given the Adviser is a connected person of the Company 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 reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with an independent opinion and recommendation as to whether (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Independent Shareholders and the Group as a whole; (ii) the Amendment is on normal commercial term; and (iii) the Amendment is fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and is in the interests of the Independent Shareholders and the Group as a whole.

LETTER FROM TAIFOOK

The Independent Board Committee, the composition of which has been set out in the “Letter from the Independent Board Committee” of the Circular, has been established to advise the Independent Shareholders in respect of the Amendment and advise the Independent Shareholders how to vote on the resolution approving the Amendment at the EGM, after taking into account our opinion and recommendation.

BASES AND ASSUMPTIONS

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the Group’s senior management and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, are true, accurate and complete as at the time they were made and continue to be so at the date of the Circular, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the Group’s senior management. We have been advised by the Directors and/or the Group’s senior management that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company as set out below:

- (i) the Amendment Agreement;
- (ii) the Supplemental Agreement;
- (iii) the annual report of the Company for the year ended 31 December 2005 (the “2005 Annual Report”);
- (iv) the annual report of the Company for the year ended 31 December 2006 (the “2006 Annual Report”); and
- (v) the Circular.

We have also discussed with the Directors with respect to the terms of, and reasons for the entering into of, the Supplemental Agreement, and consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We also consider that we have performed all reasonable steps as required under the Listing Rule 13.80 (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted an independent investigation into the business and affairs of the Group.

LETTER FROM TAIFOOK

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Amendment, we have considered the following principal factors and reasons:

I. BACKGROUND

1. Information on the Group

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

2. Information on the Adviser

As referred to in the Letter, the Adviser is a public limited company incorporated in Japan with its shares 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. As at the Latest Practicable Date, the Adviser was interested in approximately 71.64% of the issued share capital of the Company.

3. The Amendment Agreement

As mentioned in the Letter, the Amendment Agreement was 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 pursuant to the Amendment Agreement have been approved by poll by the Independent Shareholders at the extraordinary general meeting held by the Company on 26 January 2007.

II. THE SUPPLEMENTAL AGREEMENT

1. Reasons for and benefits of the entering into of the Supplemental Agreement

According to the Amendment Agreement, among 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 (the “Original Total Revenue”). The Original Total Revenue is defined in the Amendment Agreement as:

- (i) the amount of the “turnover” stated in the Company’s annual audited consolidated income statement;

LETTER FROM TAIFOOK

- (ii) plus 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.

As mentioned in the Letter, the amount of the “turnover” stated in the Company’s annual audited consolidated income statement prior to the year ended 31 December 2006 (the “Previous Turnover”) comprises the following items:

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

In addition, as mentioned in the Letter, due to the change in the presentation of the Company’s annual audited consolidated income statement commencing from the year ended 31 December 2006 (the “Presentation Change”), the amount of “turnover” in the Company’s annual audited consolidated income statement is re-stated as the amount of “revenue” (the “Existing Turnover”) and comprises the following items:

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

As a result of the Presentation Change which directly affects the underlying basis of the Original Total Revenue, being the basis as defined in the Amendment Agreement on which the amount of royalty payable by the Company to the Adviser is determined, the Company entered into the Supplemental Agreement with the Adviser to amend the definition of the Original Total Revenue in the Amendment Agreement. The Directors consider that the basis of the determination of the amount of royalty payable should not be altered due to the Presentation Change and it is necessary to enter into the Supplemental Agreement to reflect the original basis of the determination of the amount of royalty payable that has been mutually agreed between the Company and the Adviser under the Amendment Agreement.

LETTER FROM TAIFOOK

Based on the 2005 Annual Report and the 2006 Annual Report, we note that there is a change in the presentation of “turnover” as mentioned above. Given that the amount of royalty payable to the Adviser as agreed between the Adviser and the Company in the Amendment Agreement is calculated based on, among others, the Previous Turnover rather than the Existing Turnover, we consider that such change in the presentation of “turnover” commencing from the year ended 31 December 2006 would alter the underlying basis of the determination of the amount of royalty payable to the Adviser as agreed between the Adviser and the Company as set out in the Amendment Agreement. Accordingly, we concur with the view of the Directors that it is necessary to enter into the Supplemental Agreement to reflect the original basis of the determination of the amount of royalty payable to the Adviser which has been mutually agreed between the Company and the Adviser under the Amendment Agreement.

2. The terms of the Supplemental Agreement

Pursuant to the Supplemental Agreement, the definition of the Original Total Revenue shall be amended to mean “the aggregate of (the “Amended Total Revenue”):

- (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”.

With reference to the 2005 Annual Report and the 2006 Annual Report, we note that the amount of the “Total of Revenue” calculated under the definition of the Original Total Revenue prior to the Presentation Change is the same as that calculated under the definition of the Amended Total Revenue. As such, we consider that the Amended Total Revenue does not alter the underlying basis of the determination of the amount of royalty payable to the Adviser as agreed between the Adviser and the Company as set out in the Amendment Agreement. As such, we concur with the view of the Directors that the Amendment is purely a technical amendment that does not change in any manner the determination of the amount of royalty payable to the Adviser that has been mutually agreed between the Company and the Adviser under the Amendment Agreement.

LETTER FROM TAIFOOK

RECOMMENDATION

Having considered the terms of, reasons for and benefits of the entering into of, the Supplemental Agreement, we consider that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Independent Shareholders and the Group as a whole; (ii) the Amendment is on normal commercial term; and (iii) the Amendment is fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and is in the interests of the Independent Shareholders and the Group as a whole. As such, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Amendment.

Yours faithfully,

For and on behalf of

Taifook Capital Limited

Derek C. O. Chan

Marcus Ho

Managing Director

Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company ("Model Code") were as follows:

(1) Long positions in the Shares

Name of Directors	Number of ordinary shares held as personal interest	Approximate percentage of interest in the issued share capital of the Company %
LAM Man Tin	20,000	0.008
Yutaka FUKUMOTO	70,000	0.027
WONG Mun Yu	18,000	0.007
Akihito TANAKA	50,000	0.019
Tatsuichi YAMAGUCHI	22,000	0.008
LAM PEI Peggy	200,000	0.077

- (2) *Long positions in the shares of AEON Co., Ltd., the Company's ultimate holding company*

Name of Directors	Number of shares held as personal interests	Approximate percentage of interest %
Toshiji TOKIWA	17,700	0.0024
Akihito TANAKA	13,900	0.0019
Tatsuichi YAMAGUCHI	24,000	0.0033

- (3) *Long positions in the shares of other associated corporations*

	Toshiji TOKIWA		Akihito TANAKA	
	Number of shares	Approximate percentage of interest %	Number of shares	Approximate percentage of interest %
ACS Credit Management Co., Ltd.	10	0.083	–	–
AEON Credit Service (M) Sdn. Bhd.	20,000	0.167	–	–
AEON Fantasy Co., Ltd.	–	–	3,194	0.021
AEON Thana Sinsap (Thailand) Plc.	500,000	0.200	20,000	0.008
Aeonmall Co., Ltd.	–	–	2,000	0.003
AEON CO. (M) Bhd.	–	–	300,000	0.170
Maxvalu Tokai Co., Ltd.	7,500	0.043	–	–
Ryukyu JUSCO Co., Ltd.	–	–	100	0.018
Zwei Co., Ltd.	1,000	0.026	–	–

All the shares held are personal interests.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests*(a) Long positions in the Shares*

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Long Positions Number of ordinary shares	Approximate percentage of the issued share capital %
AEON Co., Ltd.	186,276,000 (<i>Note 1</i>)	71.64
Aberdeen Asset Management Plc and its Associates (together "the Aberdeen Group") on behalf of Accounts managed by the Aberdeen Group	26,002,000 (<i>Note 2</i>)	10.00
Commonwealth Bank of Australia	13,088,000 (<i>Note 3</i>)	5.03

Note 1: These shares were held as to 177,500,000 Shares by AEON Co., Ltd., 7,000,000 Shares by AEON (U.S.A.), Inc., and 1,776,000 Shares by AEON Credit Services (Asia) Company Limited ("ACS") as at the Latest Practicable Date.

AEON (U.S.A.), Inc. is a wholly-owned subsidiary of AEON Co., Ltd. and AEON Co. Ltd. was deemed to be interested in the 7,000,000 Shares owned by AEON (U.S.A.), Inc. as at the Latest Practicable Date.

ACS was owned by AEON Co., Ltd., AEON Credit Service Co., Ltd. and the Company as to 55,990,000 shares representing 13.37%, 217,514,000 shares representing 51.94%, and 3,784,000 shares representing 0.90% respectively of the issued share capital of ACS as at the Latest Practicable Date.

By virtue of its ownership of 45.28% and 71.64% of the issued share capital of AEON Credit Service Co., Ltd., and the Company respectively, AEON Co., Ltd., was deemed to be interested in the 1,776,000 Shares owned by ACS as at the Latest Practicable Date.

Note 2: These Shares were held by Aberdeen Asset Management Plc and its Associates (together "the Aberdeen Group") on behalf of Accounts managed by the Aberdeen Group in the capacity of an investment manager as at the Latest Practicable Date.

Note 3: These Shares were held as to 11,838,000 Shares by First State Investments (Hong Kong) Limited ("FSIHK") and 2,746,000 Shares by First State Investment Management (UK) Limited ("FSIUK") of which Shares 1,496,000 Shares are jointly held by FSIHK and FSIUK, in their capacity of investment managers as at the Latest Practicable Date. Both FSIHK and FSIUK are indirect wholly owned subsidiaries of Commonwealth Bank of Australia.

(b) Other members of the Group

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons were, directly or indirectly, interested in 10% or more of the share capital carrying rights to vote at general meetings of the following members of the Group:

Members of the Group	Name of substantial shareholders	Approximate percentage of shareholding
Guangdong JUSCO Teem Stores Co., Ltd.	Guangdong Teemmall Department Stores Holdings Ltd.	35.00
Shenzhen AEON Friendship Co., Ltd.	深圳市友誼貿易中心有限公司 (Shenzhen Friendship Trading Centre Co., Ltd.)	25.01

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors and the chief executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such share capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

4. PROCEDURE TO DEMAND A POLL

Pursuant to Article 65 of the articles of association of the Company, at the EGM, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that rights.

5. QUALIFICATION OF EXPERT

The following are the name and qualification of the expert who has given its opinion or advice contained in this circular:

Name	Qualification
Taifook Capital Limited	A licensed corporation under the SFO to carry out Type 6 regulated activity (advising on corporate finance)

6. CONSENT FROM TAIFOOK

Taifook has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name or letter in the form and context in which they appear.

As at the Latest Practicable Date, Taifook did not have any shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

9. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors or Taifook had any interest, either direct or indirect, in any assets which had been, since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or Taifook was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and the principal place of business in Hong Kong of the Company at 3rd Floor, Stanhope House, 738 King's Road, Quarry Bay, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the circular dated 3 January 2007 issued by the Company;
- (b) the Technical Assistance Agreement;
- (c) the Amendment Agreement;
- (d) the Supplemental Agreement;
- (e) the letter of advice dated 24 April 2007 from Taifook to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 10 to 15 of this circular; and
- (f) the written consent from Taifook referred to in paragraph headed "Consent from Taifook" of this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN (the “Notice”) that the extraordinary general meeting (the “Meeting”) of AEON Stores (Hong Kong) Co., Limited (the “Company”) will be held at Victoria Room, World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 23 May 2007 at 10:15 a.m. or immediately after the close of the annual general meeting of the Company to be held at the same place and on the same day at 10:00 a.m., for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the amendment of the definition of “Total of Revenue” in the Amendment Agreement entered into on 12 December 2006 between the Company and AEON Co., Ltd. to amend certain terms of the Technical Assistance Agreement entered into on 31 December 1993 between the Company and AEON Co., Ltd., as set out in the Supplemental Agreement dated 2 April 2007 and entered into between the Company and AEON Co., Ltd., be and is hereby approved, confirmed and ratified.”

By Order of the Board

Heng Kwo Seng

Company Secretary

Hong Kong, 24 April 2007

Registered Office:

G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Head Office and Principal

Place of Business in Hong Kong:
3rd Floor
Stanhope House
738 King’s Road
Quarry Bay
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his/her/its stead. In the case of a recognised clearing house, it may authorise such other person(s) as it thinks fit to act as its representative(s) at the Meeting and vote in its stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the Meeting personally or by proxy, then the holder whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.