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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 TRANSACTIONS

SUPPLEMENTAL RENEWED OUTSOURCING AGREEMENT AND SUPPLEMENTAL RENEWED CREDIT GUARANTEE AGREEMENT

Reference is made to the announcement 30 August 2011 of the Company in relation to the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement (the “**2011 Announcement**”).

On 13 April 2012, the PRC AEON Stores, subsidiaries of the Company, and certain subsidiaries of AEON Co, including AIS, agreed to certain amendments to the Renewed Outsourcing Agreement, details of which are set out in the section headed “The Supplemental Renewed Outsourcing Agreement” in this announcement.

On the same day, each of the PRC AEON Stores, together with Beijing AEON, Qingdao AEON, Mega Sports (Beijing) and ACG have also agreed to certain amendments to the Renewed Credit Guarantee Agreement, details of which are set out in the section headed “The Supplemental Renewed Credit Guarantee Agreement” in this announcement.

The amendments take effect from the date of signing of the Supplemental Renewed Outsourcing Agreement and the Supplemental Renewed Credit Guarantee Agreement (i.e. on 13 April 2012). The validity period of the Supplemental Renewed Outsourcing Agreement and the Supplemental Renewed Credit Guarantee Agreement will remain the same as the validity period under the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement, i.e., three (3) years commencing on 21 July 2011 and ending on 20 July 2014.

Save for the summary of key amendments disclosed in this announcement, there have not been any material amendments to the terms and conditions of both the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement.

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 Supplemental Renewed Outsourcing 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 the Annual Caps in respect of the Supplemental Renewed Outsourcing Agreement exceed 0.1% but are below 5%, the transactions under the Supplemental Renewed Outsourcing Agreement 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% by AEON Co, a controlling shareholder of the Company, respectively. Accordingly, the transactions contemplated under the Supplemental Renewed Credit Guarantee Agreement constitute a connected transaction of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules. Under such circumstances, the transactions under the Supplemental Renewed Credit Guarantee Agreement shall be exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules since the Supplemental Renewed Credit Guarantee Agreement is for the benefit of the Company and on normal commercial terms where no security over the assets of the Company is granted.

INTRODUCTION

On 30 August 2011, the Company issued an announcement concerning the continuing connected transactions in respect of the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement (the “**2011 Announcement**”).

Background on 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. Under the Outsourcing Arrangement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) will issue its own AEON Cards to its Members and is required to enter into a card holder agreement with its Members which provides the terms and conditions of the use of AEON Card. Each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) shall pay AIS the Service Fee on a monthly basis. Further background information and details of the transactions are set out in the 2011 Announcement.

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. Further background information and details of the transactions are set out in the 2011 Announcement.

On 13 April 2012, parties under the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement agreed to certain amendments and entered into the Supplemental Renewed Outsourcing Agreement and the Supplemental Renewed Credit Guarantee Agreement.

Save for the summary of key amendments disclosed in this announcement, there have not been any material amendments to the terms and conditions of both the Renewed Outsourcing Agreement and the Renewed Credit Guarantee Agreement.

THE SUPPLEMENTAL RENEWED OUTSOURCING AGREEMENT

Date: 13 April 2012

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.

Term: The amendments take effect from the date of signing of the Supplemental Renewed Outsourcing Agreement and the validity period of the Supplemental Renewed Outsourcing Agreement remains the same as the Renewed Outsourcing Agreement, i.e., three (3) years commencing on 21 July 2011 and ending on 20 July 2014. Certain amendments, such as the arrangements for the operations and costs of AEON Card service areas and the revision to the Service Fee (as further described below) will take effect from the date of signing of the Supplemental Renewed Outsourcing Agreement and end on 30 June 2013. These specific amendments will be subject to reassessment from 30 June 2013. Should there be any material amendments, the Company will comply with the applicable Listing Rule requirements.

Summary of key amendments:

- *Operations and costs of AEON Card service areas:* Under the Renewed Outsourcing Agreement, AIS would operate AEON Card counters within each AEON store and AIS would be responsible for the expenditures incurred by the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) in relation to such AEON Card counters, including the rental fees, electricity and telephone charges incurred and management fees. Under the Supplemental Renewed Outsourcing Agreement and the arrangements contemplated thereunder, AEON Card counters will be merged into AEON store service counters to release store space for more efficient use, to provide convenience to customers and Members and to improve the efficiency of the card business by avoiding duplication of work. Each AEON Party will conduct its own operations and bear the costs arising from operations within the AEON store service counters or areas and the cost savings resulting from such merger and streamlining of operations will be used to promote the usage of autopay services, to set up a card recruitment counter in each store and to install customer hotlines. The above amendments will take effect from 13 April 2012 and will end on 30 June 2013, when it is subject to reassessment.

- Under the Supplemental Renewed Outsourcing Agreement, AIS has undertaken to allow PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) to inspect, audit and review its books, records, financial operations, business process and operations, electronic and computer systems, upon such parties' reasonable written request. AIS has also agreed to cooperate with, provide and disclose all relevant information to these parties.
- *Service Fees:* Under the Supplemental Renewed Outsourcing Agreement, each of the PRC AEON Stores, Beijing AEON, Qingdao AEON and Mega Sports (Beijing) has agreed to make an additional payment to AIS (the “**Additional Fee**”). In particular, AIS would be paid this Additional Fee which comprise (i) 0.5% of the total sales (“**Total Sales Figure**”) 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. In return, AIS will commit more resources and provide additional services such as a service hotline and receivables management services. AIS will also deploy its additional resources to help expand the Member base and build a comprehensive card member database to support the rapid expansion of stores in future. In addition, the Supplemental Renewed Outsourcing Agreement also provides more detailed milestones for payment and extends the period for payment by parties. The amendments to the Service Fee take effect from 13 April 2012 and will end on 30 June 2013, when it is subject to reassessment.

The amendments to the Service Fees was determined by each of the AEON Parties and AIS after arm's length negotiations, taking into account the reasons and benefits highlighted in the section headed “Reasons for, and benefits of, the supplemental renewed outsourcing and supplemental renewed credit guarantee agreements” below.

THE ANNUAL CAPS

The Annual Cap under the Supplemental Renewed Outsourcing Agreement comprise (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 AIS Annual Caps will remain the same in respect of the years ending 31 December 2012, 31 December 2013 and for the period between 1 January 2014 to 20 July 2014, at RMB11,000,000, RMB11,000,000 and RMB6,092,000, respectively. The total aggregated amount payable by AIS to each of the PRC AEON Stores under the Supplemental Renewed Outsourcing Agreement will not exceed these amounts.

THE REVISED PRC AEON STORES ANNUAL CAPS

In light of the above amendments, the Company also proposed to revise the PRC AEON Stores Annual Caps in respect of the years ending 31 December 2012, 31 December 2013 and for the period between 1 January 2014 to 20 July 2014 (the “**Revised PRC AEON Stores Annual Caps**”).

The historical transaction amounts in respect of the Renewed Outsourcing Agreement payable by the PRC AEON Stores to AIS from the period between 21 July 2008 to 31 December 2008, the two years ended 31 December 2010 and the year ended 31 December 2011 were HK\$246,000, HK\$3,045,000, HK\$4,987,000 and HK\$5,955,000, respectively.

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

Financial Year/Period	Revised PRC AEON Stores Annual Caps (RMB)
21 July 2011 to 31 December 2011	RMB5,355,000
1 January 2012 to 31 December 2012	RMB18,000,000
1 January 2013 to 31 December 2013	RMB16,000,000
1 January 2014 to 20 July 2014	RMB6,645,000

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 Supplemental Renewed Outsourcing Agreement shall not be subject to the Annual Caps.

The Revised PRC AEON Stores Annual Caps have been determined with reference to the changes in the structure of the Service Fee, anticipated credit sales amount arising out of the 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 terms of the Supplemental Renewed Outsourcing 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 Supplemental Renewed Outsourcing Agreement and the Revised PRC AEON Stores Annual Caps are 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 Supplemental Renewed Outsourcing Agreement, Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Takashi Komatsu and Mr. Yuji Yoneta were regarded as potentially having a material interest in the Supplemental Renewed Outsourcing Agreement and accordingly abstained from voting on the relevant resolutions.

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 Supplemental Renewed Outsourcing Agreement constitute continued connected transactions for the Company under the Listing Rules.

Since the applicable percentage ratios defined under Rule 14.07 of the Listing Rules for the Annual Caps in respect of the Supplemental Renewed Outsourcing Agreement exceed 0.1% but are below 5%, the transactions under the Supplemental Renewed Outsourcing Agreement

are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and are exempt from the requirements of independent shareholders' approval under Chapter 14A of the Listing Rules.

THE SUPPLEMENTAL RENEWED CREDIT GUARANTEE AGREEMENT

Date: 13 April 2012

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.

Term: The amendments take effect from the date of signing of the Supplemental Renewed Credit Guarantee Agreement and the duration of the Supplemental Renewed Credit Guarantee Agreement shall remain the same, i.e., three (3) years commencing on 21 July 2011 and ending on 20 July 2014.

Summary of key amendments:

Under the terms of the Renewed Credit Guarantee Agreement, ACG is required to pay a security deposit to each of the PRC AEON Stores. The amount of such security deposit will be evaluated twice a year and is calculated at a certain percentage of the accounts receivables generated from sales on credit made by the relevant AEON Party in the relevant month of evaluation. Under the Supplemental Renewed Credit Guarantee Agreement, the said percentage has been increased substantially and this, in effect, increases the amount of the security deposit payable by ACG. The increase in the security deposit payable by ACG will improve the cashflow for each AEON Party. In return for the increase in the security deposit, the requirement for ACG to make payment for management fees for sums owed under the Renewed Credit Guarantee Agreement has been removed under the Supplemental Renewed Credit Guarantee Agreement.

Save for the summary of amendments highlighted above, the material terms and conditions of the Renewed Credit Guarantee Agreement has not been altered.

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% by AEON Co, a controlling shareholder of the Company, respectively. Accordingly, the transactions contemplated under the Supplemental Renewed Credit Guarantee Agreement constitute a connected transaction of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules. Under such circumstances, the transactions under the Supplemental Renewed Credit Guarantee Agreement shall be exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules since the Supplemental Renewed Credit Guarantee Agreement is for the benefit of the Company and on normal commercial terms where no security over the assets of the Company is granted.

REASONS FOR, AND BENEFITS OF, THE SUPPLEMENTAL RENEWED OUTSOURCING AND SUPPLEMENTAL RENEWED CREDIT GUARANTEE AGREEMENTS

The Directors consider that the Supplemental Renewed Outsourcing and the Supplemental Renewed Credit Guarantee Agreements and the arrangements thereunder, such as the merger of AEON Card counters into AEON store service counters, the inclusion of an incentive recruitment bonus component in the Service Fee and the increase in the security deposits described above will enable the Company to enhance services provided to Members, improve sales, expand the AEON Card Member base, improve cashflow 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.

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.

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 in which the holders of the card may make credit purchase
“AEON China”	永旺(中國)商業有限公司 (AEON China Co., Ltd.), a company incorporated in the PRC and which was acquired by Shenzhen AEON in the formation of Huanan AEON
“AEON Co”	AEON Co., Ltd., a company incorporated in Japan and the controlling shareholder of the Company
“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 organising 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 shares of which are listed on the Stock Exchange
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong JUSCO”	廣東吉之島天貿百貨有限公司 (Guangdong JUSCO Teem Stores Co., Ltd.), a company established in the PRC and owned as to 65% by the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the 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 and which was formed through the acquisition of AEON China by Shenzhen AEON
“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
“Member(s)”	holder(s) of AEON Card
“Outsourcing Arrangement”	the transactions contemplated under the Renewed Outsourcing Agreement (as amended by the Supplemental Renewed Outsourcing Agreement)
“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 JUSCO and Huanan AEON (and prior to the establishment of Huanan AEON, includes Shenzhen AEON and AEON China)
“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
“Renewed Outsourcing Agreement”	the renewed outsourcing agreement entered into on 30 August 2011 between PRC AEON Stores, Beijing AEON, Qingdao AEON, Mega Sports (Beijing), and AIS as the other party
“Service Fee”	a service fee equal to 2% of the total credit sales amount arising out of the Outsourcing Arrangement and an additional fee as set out in the Supplemental Renewed Outsourcing Agreement
“Services”	including the handling of AEON Card applications, the issue of AEON Cards and carrying out other Card Related Businesses
“Shenzhen AEON”	深圳永旺商業有限公司 (formerly known as 深圳永旺友誼商業有限公司) (Shenzhen AEON Co., Ltd., formerly Shenzhen AEON Friendship Co., Ltd.), a company incorporated in the PRC and the predecessor of Huanan AEON prior to its acquisition of AEON China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Renewed Credit Guarantee 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

“%”

per cent

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

Hong Kong, 13 April 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Man Tin, Ms. Chan Pui Man, Christine, Ms. Chan Suk Jing, Janet and Mr. Junichi Suzuki; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji and Mr. Takashi Komatsu; and the independent non-executive Directors are Prof. Lam Pei Peggy, Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna and Dr. Shao Kung Chuen.