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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 TRANSACTION

Reference is made to the announcement of the Company dated 20 April 2005 in relation to the Master Agreement dated 15 April 2005 entered into between the Company and Aeon Credit in respect of the Commission Payment Transactions. As the term of the Master Agreement has expired, the respective parties to the Master Agreement have now entered into the Renewal Agreement for a term of three years effective 15 April 2008 to 14 April 2011.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Commission Payment Transactions exceed 0.1% but are below 2.5% (other than profit ratio), the Renewal Agreement and the Commission Payment Transactions are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirement of independent shareholders' approval.

The Agreement and the Commission Payment Transactions

Background

Reference is made to the announcement of the Company dated 20 April 2005 in relation to the Master Agreement dated 15 April 2005 entered into between the Company and Aeon Credit in respect of the Commission Payment Transactions. As the term of the Master Agreement has expired, the respective parties to the Master Agreement have now entered into the Renewal Agreement for a term of three years effective 15 April 2008 to 14 April 2011. The Renewal Agreement may be terminated prior to the expiry of such fixed term by either party giving not less than 90 days' prior written notice of its intention to do so to the other party. Subject to compliance with the Listing Rules, the Renewal Agreement may be renewed on such terms and conditions as the parties to the Renewal Agreement may mutually agree.

Commission Payment Transactions

Under the Renewal Agreement, the Company shall pay to Aeon Credit commissions in return for Aeon Credit providing customers of the Company with various credit purchase and hire purchase facilities. The commissions are calculated on the basis of a fixed percentage of the sales generated by the credit purchase or hire purchase facilities provided by Aeon Credit. Pursuant to the Renewal Agreement, the Company has agreed to pay commissions to Aeon Credit for providing the following credit facilities to customers of the Company:

- (i) credit purchase facilities made available to customers of the Company for making purchases at the Company's stores using AEON JUSCO VISA Card, AEON JUSCO MasterCard, AEON JUSCO American Express Credit Card, AEON JUSCO JCB Card, AEON JUSCO UnionPay Credit Card and any other co-branded credit cards; and card instalment plan made available to customers of the Company for making purchases of goods and/or services at the Company's Stores;
- (ii) hire purchase facilities made available to customers of the Company for making purchases of selected goods and/or services at the Company's stores; and
- (iii) other credit facilities made available to customers of the Company for making purchases from time to time,

based on a payment terms ranging from 10 to 40 days.

The commission rates payable by the Company to Aeon Credit in respect of the Commission Payment Transactions are determined between the Company and Aeon Credit after arm's length negotiations. In negotiating and agreeing the commission rates and other terms of the Commission Payment Transactions with Aeon Credit, the Company takes into account the prevailing market commission rates for similar types of transactions that are offered by competitors of Aeon Credit to the Company and gives credit to Aeon Credit for any ancillary services provided to the customers of the Company by Aeon Credit.

The Renewal Agreement also provides that, subject to compliance with the Listing Rules, the Company and Aeon Credit may also enter into additional Commission Payment Transactions in respect of other credit cards, hire purchase facilities and/or other credit purchase facilities that may be provided by Aeon Credit to the Company's customers from time to time. The Company will negotiate and agree on the commission rates and other terms of future Commission Payment Transactions with Aeon Credit on the current basis as mentioned above.

Continuing Connected Transactions

As at the date of this announcement, AEON Co., Ltd. holds approximately 71.64% interest in the Company and approximately 66.22% interest in Aeon Credit. Aeon Credit is therefore a connected person of the Company under the Listing Rules and the Commission Payment Transactions therefore constitute continuing connected transactions for the Company under the Listing Rules.

The Directors estimate that the maximum aggregate amount payable by the Company to Aeon Credit on an annual basis in respect of the Commission Payment Transactions under the Renewal Agreement will not exceed the annual caps (the “Annual Caps”) below:

Financial Year/Period	Annual Caps
15/4/2008 to 31/12/2008	HK\$10.9 million
1/1/2009 to 31/12/2009	HK\$15.3 million
1/1/2010 to 31/12/2010	HK\$15.3 million
1/1/2011 to 14/4/2011	HK\$4.5 million

with reference to the actual commission paid by the Company to Aeon Credit under the Master Agreement for the three years ended 31 December 2007, being approximately HK\$12.2 million, HK\$11.8 million, and HK\$12.7 million, respectively where the annual caps for the transactions contemplated under the Master Agreement were set as HK\$20.9 million for the three years ended 31 December 2007 and the period ended 14 April 2008. Taking into account the historical transaction amount under the Master Agreement for the three years ended 31 December 2007 and the expected increase in the volume of the Commission Payment Transactions for the periods under the Renewal Agreement, the Annual Caps represent an approximately 20% increase of the actual commission paid by the Company to Aeon Credit for the period commencing on 31 December 2007.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Commission Payment Transactions exceed 0.1% but are below 2.5% (other than profit ratio), the Renewal Agreement and the Commission Payment Transactions are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirement of independent shareholders’ approval.

The Directors, including all the independent non-executive directors, consider that the Renewal Agreement and the Commission Payment Transactions are on normal commercial terms, that the terms are fair and reasonable and in the interest of the Company and its shareholders as a whole and that the Renewal Agreement and the Commission Payment Transactions are entered into in the ordinary and usual course of the Company’s business.

General

The principal activities of the Company are the operation of general merchandise stores.

The principal activities of Aeon Credit are the provision of consumer credit finance services including the issuance of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

The Directors believe that the launch of various credit cards with Aeon Credit has provided further value-added service to the Company's customers and has cultivated stronger customer loyalty. The provision of various credit purchase facilities by Aeon Credit has contributed positively in building sales and extending the Company's customer base and the Directors expect that there will be continual growth in sales attributable to the credit purchase facilities provided by Aeon Credit to customers of the Company.

Definitions

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

“Aeon Credit”	AEON Credit Service (Asia) Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
“Master Agreement”	the agreement dated 15 April 2005 entered into between the Company and Aeon Credit in respect of the Commission Payment Transactions.
“Commission Payment Transactions”	transactions entered into between the Company and Aeon Credit from time to time pursuant to which the Company pays to Aeon Credit commissions in respect of purchases made by customers of the Company by using credit purchase facilities provided by Aeon Credit from time to time including, but not limited to, various credit cards issued by Aeon Credit, namely AEON JUSCO VISA Card, AEON JUSCO MasterCard, AEON JUSCO American Express Credit Card, AEON JUSCO JCB Card, AEON JUSCO UnionPay Credit Card and any other co-branded credit cards, credit instalment facilities, hire purchase facilities and other credit facilities provided by Aeon Credit.

“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.
“Director(s)”	the director(s) of the Company.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Renewal Agreement”	the agreement dated 15 April 2008 entered into between the Company and Aeon Credit renewing the Master Agreement for a term of three years effective 15 April 2008 to 14 April 2011.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Lam Man Tin
Managing Director

Hong Kong, 16 April, 2008

As at the date of this announcement, the executive directors of the Company are Mr. Lam Man Tin, Mr. Yutaka Fukumoto, Mr. Wong Mun Yu and Mr. Yutaka Agawa; the non-executive directors of the Company are Mr. Akihito Tanaka, Mr. Masaaki Toyoshima and Mr. Kazumasa Ishii; and the independent non-executive directors of the Company are Madam Lam Pei Peggy, Mr. Sham Sui Leung, Daniel and Ms. Cheng Yin Ching, Anna.