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**AEON STORES (HONG KONG) CO., LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 984)**

**CONTINUING CONNECTED TRANSACTIONS  
SUPPLEMENTAL OUTSOURCING AGREEMENT**

The Board announces that on 22 December 2008, PRC AEON Stores (subsidiaries of the Company), Beijing AEON, Qingdao AEON and AIS as one party and Mega Sports (Beijing) as the other party entered into the Supplemental Outsourcing Agreement in respect of the Outsourcing Arrangement and pursuant to which, PRC AEON Stores, Beijing AEON and Qingdao AEON consented that Mega Sports (Beijing) be joined as a party to the Outsourcing Agreement and become one of the issuers of the AEON Cards with effect from the date of signing of the Supplemental Outsourcing Agreement. Accordingly, AIS will provide the Services to Mega Sports (Beijing) pursuant to the terms and conditions of the Outsourcing Agreement as amended by the Supplemental Outsourcing Agreement which have been disclosed in the Announcement.

Similar to the Outsourcing Arrangement, Mega Sports (Beijing) has also entered into a Supplemental Credit Guarantee Agreement with PRC AEON Stores, Beijing AEON, Qingdao AEON and ACG and pursuant to which, PRC AEON Stores, Beijing AEON and Qingdao AEON consented that Mega Sports (Beijing) be joined as a party to the Credit Guarantee Agreement for the purpose of issuing AEON cards with credit functions to Members with effect from the date of signing of the Supplemental Credit Guarantee Agreement. Accordingly, ACG will provide a guarantee in respect of Members' credit purchase from Mega Sports (Beijing) pursuant to the terms of the Credit Guarantee Agreement as amended by the Supplemental Credit Guarantee Agreement.

Save as joining Mega Sports (Beijing) to both the Outsourcing Agreement and the Credit Guarantee Agreement, the terms and conditions of the Outsourcing Agreement and the Credit Guarantee Agreement have not been altered in whatever way.

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. Mega Sports (Beijing) is wholly owned by Mega Sports (Japan) which in turn is owned as to 80.1% by AEON Co. The transactions contemplated under the Supplemental Outsourcing Agreement constitute an amendment to the continuing connected transactions under the Listing Rules in respect of the Outsourcing Arrangement of the Company which have been disclosed in the Announcement.

Since the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules for the Outsourcing Arrangement remain in the same range as disclosed in the Announcement, i.e. exceed 0.1% but below 2.5%, the transactions under the Supplemental Outsourcing Agreement are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirements of independent shareholders' approval under Rules 14A.45 to 14A.47 of the Listing Rules.

On 23 July 2008, the Company issued an announcement concerning the continuing connected transactions in respect of the Outsourcing Arrangement (the “**Announcement**”). Details of the terms and conditions of the Outsourcing Agreement and the Credit Guarantee Agreement are set out in the Announcement.

### **THE SUPPLEMENTAL OUTSOURCING ARGREEMENT**

On 22 December 2008, PRC AEON Stores, Beijing AEON, Qingdao AEON, AIS and Mega Sports (Beijing) entered into the Supplemental Outsourcing Agreement in respect of the Outsourcing Arrangement and pursuant to which, PRC AEON Stores, Beijing AEON and Qingdao AEON consented that Mega Sports (Beijing) be joined as a party to the Outsourcing Agreement and become an issuer of the AEON Cards with effect from the date of signing of the Supplemental Outsourcing Agreement.

Date: 22 December 2008

Parties: PRC AEON Stores, Beijing AEON, Qingdao AEON and AIS as one party and Mega Sports (Beijing) as the other party.

Subject: Mega Sports (Beijing) becomes a party to the Outsourcing Agreement and one of issuers of the AEON Cards with effect from the date of signing of the Supplemental Outsourcing Agreement. Accordingly, AIS will provide the Services to Mega Sports (Beijing) pursuant to the terms and conditions of the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement). Save for the addition of Mega Sports (Beijing) as a party to the Outsourcing Agreement, other terms and conditions of the Outsourcing Agreement remain the same.

**Term:** The Supplemental Outsourcing Agreement has a fixed term commencing on the date of signing of the Supplemental Outsourcing Agreement, i.e. 22 December 2008 and ending on the expiry date of the Outsourcing Agreement, i.e. 20 July 2011, subject to early termination as governed by the terms of the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement).

**Consideration:** Similar to each of the PRC AEON Stores in respect of the Outsourcing Arrangement, Mega Sports (Beijing) shall pay AIS the Service Fee on a monthly basis pursuant to the terms of the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement). The basis of the payment and the terms of the payment arrangement are the same as those disclosed in the Announcement.

Accordingly, AIS will provide the Services to Mega Sports (Beijing) pursuant to the terms and conditions of the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement). Mega Sports (Beijing) is a subsidiary of AEON Co and a connected person of the Company. Although Mega Sports (Beijing) is a connected person of the Company and one of the parties to the Outsourcing Agreement, there is no transaction between Mega Sports (Beijing) and the Company and its subsidiaries under the Supplemental Outsourcing Agreement. Moreover, like each of the PRC AEON Stores, Mega Sports (Beijing) independently entered into the Outsourcing Agreement with AIS and there is no business relationship among each of the PRC AEON Stores and Mega Sports (Beijing) under the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement).

Similar to the Outsourcing Arrangement, Mega Sports (Beijing) has also entered into a Supplemental Credit Guarantee Agreement with PRC AEON Stores, Beijing AEON, Qingdao AEON and ACG and pursuant to which, PRC AEON Stores, Beijing AEON and Qingdao AEON consented that Mega Sports (Beijing) be joined as a party to the Credit Guarantee Agreement for the purpose of issuing AEON cards with credit functions to Members with effect from the date of signing of the Supplemental Credit Guarantee Agreement. Accordingly, ACG will provide a guarantee in respect of Members' credit purchase from Mega Sports (Beijing) pursuant to the terms of the Credit Guarantee Agreement (as amended by the Supplemental Credit Guarantee Agreement). Save for the addition of Mega Sports (Beijing) as a party to the Credit Guarantee Agreement, other terms and conditions of the Credit Guarantee Agreement remain the same.

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. Mega Sports (Beijing) is wholly owned by Mega Sports (Japan) which in turn is owned as to 80.1% by AEON Co. The transactions contemplated under the Supplemental Outsourcing Agreement constitute an amendment to the continuing connected transactions under the Listing Rules in respect of the Outsourcing Arrangement of the Company which have been disclosed in the Announcement.

Pursuant to the terms of the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement), Mega Sports (Beijing) shall pay AIS the Service Fee which is determined on a similar basis as disclosed in the Announcement.

The total aggregated amount payable by each of the PRC AEON Stores to the AIS and by AIS to each of the PRC AEON Stores under the Outsourcing Agreement (as amended by the Supplemental Outsourcing Agreement) shall not exceed the annual caps below:

<b>Financial Year/Period</b>	<b>Annual Caps (HK\$)</b>
21 July 2008 to 31 December 2008	18,900,000
1 January 2009 to 31 December 2009	42,000,000
1 January 2010 to 31 December 2010	42,000,000
1 January 2011 to 20 July 2011	23,100,000

The above annual caps are the same as those disclosed in the Announcement.

Since Mega Sports (Beijing) is not a subsidiary of the Company, the amount payable by Mega Sports (Beijing) to AIS and by AIS to Mega Sports (Beijing) under the Outsourcing Agreement shall not be subject to the above-mentioned annual caps, which are determined on a similar basis as disclosed in the Announcement.

There is no prior transactions between the Group and Mega Sports (Beijing), AIS or ACG which requires aggregation under Rule 14A.25 of the Listing Rules.

The Directors, including all the independent non-executive Directors, consider that, save as joining Mega Sports (Beijing) to both the Outsourcing Agreement and the Credit Guarantee Agreement, the terms and conditions of the Outsourcing Agreement and the Credit Guarantee Agreement have not been altered in whatever way and both the Supplemental Outsourcing Agreement and the Supplemental Credit Guarantee Agreement are on normal commercial terms which are fair and reasonable and in the interest of the Company and its shareholders as a whole and that the Supplemental Outsourcing Agreement is entered into in the ordinary and usual course of the Company's business. To the best information, knowledge and belief, the Directors are not aware of any negative impact by the transactions contemplated under the Supplemental Outsourcing Agreement and the Supplemental Credit Guarantee Agreement on the Company's business operation and financial position.

**GENERAL**

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. Mega Sports (Beijing) is wholly owned by Mega Sports (Japan) which in turn is owned as to 80.1% by AEON Co..

Since the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules for the Outsourcing Arrangement remain in the same range as disclosed in the Announcement, i.e. exceed 0.1% but below 2.5%, the transactions under the Supplemental Outsourcing Agreement are subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirements of independent shareholders' approval under Rules 14A.45 to 14A.47 of the Listing Rules.

Below are the principal activities of the Company and the parties to the Supplemental Outsourcing Agreement:

<b>Entity</b>	<b>Principal activities</b>
the Company	operation of general merchandise stores
Mega Sports (Beijing)	operation of sports-related specialty stores
Beijing AEON	operation of general merchandise stores
Qingdao AEON	operation of general merchandise stores
Guangdong JUSCO	operation of general merchandise stores
Shenzhen AEON	operation of general merchandise stores
AEON China	operation of general merchandise stores
AIS	provision of call centre services

The Directors believe that by entering into the Supplemental Outsourcing Agreement, Mega Sports (Beijing) will be able to issue AEON Cards and bring in more Members during the promotional activities who are indeed potential target customers which may enhance business growth of the Group.

## **DEFINITIONS**

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

“ACG”	永旺信用擔保（中國）有限公司(AEON Credit Guarantee (China) Co., Ltd.), 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 Co”	AEON Co., Ltd., a company incorporated in Japan and the controlling shareholder of the Company
“AEON China”	永旺（中國）商業有限公司(AEON (China) Co., Ltd.), a company incorporated in the PRC and wholly owned by 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 51.94% by AEON Credit Japan whereas AEON Co is deemed to be interested in 66.22% of the issued share capital thereof
“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 Service (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
“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
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Credit Guarantee Agreement”	the credit guarantee agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON as one party and ACG as the other party on 21 July 2008 and the terms and conditions of which have been disclosed in the Announcement
“Director(s)”	the director(s) 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 and 35% by a third party. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, such third party and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and 19.9% by a third party. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, such third party and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company
“Member(s)”	holder(s) of AEON Card
“Outsourcing Agreement”	the outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON as one party and AIS as the other party on 21 July 2008 and the terms and conditions of which have been disclosed in the Announcement
“Outsourcing Arrangement”	the transactions contemplated under the Outsourcing Agreement
“PRC”	the People’s Republic of China
“PRC AEON Stores”	Guangdong JUSCO, 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 and 35% by a third party. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, such third party and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company
“Services”	including the handling of AEON Card applications, the issue of AEON Cards and carrying out other Card Related Businesses as defined in the Announcement
“Service Fee”	a service fee equal to 2% of the total credit sales amount arising out of the Outsourcing Arrangement
“Shenzhen AEON”	深圳永旺商業有限公司 (前稱「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 wholly owned by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Credit Guarantee Agreement”	the supplemental credit guarantee agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON and ACG as one party and Mega Sports (Beijing) as the other party on 22 December 2008 and the terms of which have been disclosed in this announcement
“Supplemental Outsourcing Agreement”	the supplemental outsourcing agreement entered into between each of the PRC AEON Stores, Beijing AEON and Qingdao AEON and AIS as one party and Mega Sports (Beijing) as the other party on 22 December 2008 and the terms of which have been disclosed in this announcement
“%”	per cent

By Order of the Board  
**Lam Man Tin**  
*Managing Director*

Hong Kong, 22 December 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 are Mr. Akihito Tanaka, Mr. Masaaki Toyoshima, Mr. Kazumasa Ishii and Mr. Susumu Inoue; and the independent non-executive Directors are Prof. Lam Pei Peggy, Dr. Shao Kung Chuen, Mr. Sham Sui Leung, Daniel and Ms. Cheng Yin Ching, Anna.*