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AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
AEON 信貸財務(亞洲)有限公司

AEON

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

AEON Credit Service (Asia) Company Limited (“Company”) had earlier raised HK\$600,000,000 financing through the realisation of certain eligible credit card receivables, details of which were disclosed in the Company’s announcement dated 19th September 2002 and circular dated 11th October 2002 (“Securitisation”). In order to meet a new funding requirement of the Company for business growth and to diversify the sources of funding, the Company has decided to raise additional funding through structured finance using the existing structure of the Securitisation. The Company has engaged Mitsubishi Securities (HK), Limited (formerly known as Tokyo-Mitsubishi International (HK) Limited) as arranger in raising up to HK\$250,000,000 through the realisation of certain eligible credit card receivables originated and selected for such purpose (“Receivables”) to the same special purpose vehicle, Nihon (Hong Kong) Company Limited (“Purchaser”) established under the Securitisation, which will issue trust certificates backed by the Receivables. The Board of Directors of the Company (“Directors”) are pleased to announce that definitive documents for the aforementioned credit card receivables securitisation (“Transaction”) were signed on 19th January 2004. The Transaction is scheduled to close on 4th February 2004 (“Closing Date”).

Under a supplemental sale agreement dated 19th January 2004 (“Supplemental Sale Agreement”), the Purchaser has agreed to purchase from the Company Receivables arising in certain eligible accounts selected from a portfolio of revolving credit card accounts as at 20th January 2004 (“Cut-Off Date”). Such Receivables and all related rights and assets will be held under a trust (“Trust”) which the Purchaser declared pursuant to a pooling and servicing agreement dated 19th September 2002 (“Pooling and Servicing Agreement”). The Purchaser, acting in its capacity as trustee of the Trust, shall be referred to as the Trustee. The assets of the Trust (“Trust Assets”) currently consist of, inter alia, certain eligible credit card receivables and all related rights and assets originated by the Company and purchased by the Purchaser under a receivables sale agreement dated 19th September 2002 (“Receivables Sale Agreement”) and all of the Trustee’s rights and interest in certain trust bank accounts established by the Trustee for the purpose of receiving and distributing collections of Trust Assets (“Collections”) and all recoveries and proceeds thereof.

All Receivables will be transferred at book value. A cash consideration of HK\$250,000,000 will be paid to the Company on the Closing Date, which will represent part of the principal amount of the Investor Certificate (referred to below) to be issued on the Closing Date to a third party investor (“Investor”). The aggregate principal amount of the Investor Certificate shall be HK\$850,000,000.

The Transaction constitutes a discloseable transaction for the Company under the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and shareholders’ approval in a general meeting is not required. A circular containing further details of the Transaction will be despatched to the shareholders of the Company as soon as possible.

Date of Transaction Documents:

19th January 2004

Closing Date:

4th February 2004

Transaction Parties:

Seller and Servicer: AEON Credit Service (Asia) Company Limited

Transaction Administrator : Mitsubishi Securities (HK), Limited
and Agent

Purchaser and Trustee : Nihon (Hong Kong) Company Limited, a special purpose company incorporated under the laws of Hong Kong, whose shares are held by an exempted company incorporated in the Cayman Islands. The shares of such Cayman holding company are held by a trust company organised under the laws of the Cayman Islands which has declared a trust over such shares for the benefit of charities

Back-Up Servicer : The Bank of New York

The Purchaser, the Trustee, the Transaction Administrator, the Agent, the Back-Up Servicer, the Investor and the said charities are not connected with the Company, the Directors, the chief executive or any substantial shareholder of the Company or any of their subsidiaries or their respective associates (as defined in the Listing Rules) for the purposes of Chapter 14 of the Listing Rules.

Details of the Transaction:

Under the Receivables Sale Agreement, the Purchaser had purchased certain eligible credit card receivables and all related rights and assets originated by the Company on 4th October 2002. Such receivables, rights and assets have been held under the Trust, forming the current fungible pool of Trust Assets, upon the terms and conditions set out in the Transaction Documents (as defined in the Receivables Sale Agreement).

Pursuant to the Supplemental Sale Agreement, the Purchaser agreed to purchase from the Company the Receivables and all related rights and assets (including, without limitation, the rights to the principal amount of each Receivable and the rights to all payments of periodic finance charges, membership fees, late payment fees and cash advance fees due after the Cut-Off Date and the proceeds thereof) on the Closing Date upon the terms and subject to the conditions set out therein and in the Receivables Sale Agreement. All Receivables will be transferred at book value. The aggregate amount of Receivables arising as at the Cut-Off Date is expected to be approximately HK\$245,000,000, representing approximately 18% of the existing receivables arising from the credit card accounts of the Company. The Receivables and all related rights and assets, upon completion of the sale and purchase under the Supplemental Sale Agreement, will form part of the aforementioned existing fungible pool of Trust Assets and will be held in the Trust upon the terms and conditions set out in the said Transaction Documents. The Company has given certain representations and warranties and certain undertakings in respect of the Receivables, including that the Receivables to be transferred will be those with a good payment record of no more than 30 days past due at the time of transfer.

In order to effect the sale and purchase of Receivables contemplated in the Supplemental Sale Agreement, each party to the master schedule of definitions, interpretation and construction dated 19th September 2002 (“Master Schedule”) has entered into an amendment agreement on 19th January 2004 (“Amendment Agreement”) for the purpose of effecting amendments to certain Transaction Documents which include the Receivables Sale Agreement and the Pooling and Servicing Agreement. Other than such amendments, the Transaction Documents executed on 19th September 2002 remain in full force and effect and the Trust Assets shall be held subject to the terms thereof.

On the Closing Date, the Company will receive a cash payment of HK\$250,000,000 and the Seller Certificate and the Subordinated Certificate (referred to below). Three types of certificates (“New Certificates”) will be issued by the Trustee on the Closing Date, each representing a fractional undivided interest in the Trust Assets. The New Certificates will be issued in substitution for and replacement of the existing investor certificate, seller certificate and subordinated certificate, each dated 4th October 2002 (“Existing Certificates”) and on the condition that the Existing Certificates will be surrendered to the Trustee forthwith upon the issue of the New Certificates.

The first type of New Certificates will be issued to the Investor (“Investor Certificate”), in consideration for a loan in the aggregate amount of HK\$250,000,000 (“Loan”) to be made available to the Purchaser on the Closing Date for the purpose of making the cash payment to the Company. The Loan will be rated “A” by Standard and Poor’s. The aggregate principal amount of the Investor Certificate will be HK\$850,000,000, representing the principal amount of the Loan and an initial principal amount of HK\$600,000,000 made available by the Investor to the Purchaser for the purpose of paying the cash consideration for the Securitisation. The second and third types of New Certificates (“Seller Certificate” and “Subordinated Certificate”) will be issued to the Company. The Subordinated Certificate serves to enhance the credit of the Investor Certificate and the Seller Certificate serves to provide excess receivables to maintain the agreed level of receivables (represented by the Investor Certificate and the Subordinated Certificate) in the Trust.

The Transaction will revolve until 20th September 2005 after which the amortization period will commence where the Collections representing the principal balance of the Receivables and allocable to the Investor Certificate will be applied in repayment of the principal amount of the Investor Certificate. Upon full repayment of all amounts due under the Investor Certificate, all Collections representing the principal balance of the Receivables will be applied to pay the holder of the Seller Certificate and the Subordinated Certificate in accordance with their respective entitlement.

The closing of the Transaction is scheduled for 4th February 2004 and will be subject to, inter alia, all representations and warranties made by the Company with respect to the Receivables being true and correct on the Closing Date.

Other than the changes mentioned above, the Transaction and the Securitisation have substantially similar structure. Details of the Securitisation were disclosed in the Company’s announcement dated 19th September 2002 and circular dated 11th October 2002.

Reason for the Transaction:

The Company is principally engaged in the provision of consumer credit finance services, which include the issuance of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

The Transaction allows the Company to meet a new funding requirement in a new fiscal year by obtaining a committed Hong Kong dollar term financing, of which the amount, maturity and cost is competitive with other available sources of bank lending. The payment received enlarges the Company's funding base, thus enabling the Company to write new credit card receivables and expand or develop other business.

General:

In view of the value of the assets being realised by the Company and the payment received by the Company, the Transaction constitutes a discloseable transaction for the Company under the Listing Rules and shareholders' approval in a general meeting is not required. A circular containing further information in relation to the Transaction will be despatched to the shareholders of the Company shortly.

By Order of the Board
MASANORI KOSAKA
Managing Director

Hong Kong, 19th January 2004

“Please also refer to the published version of this announcement in China Daily”.