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AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 900)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE GRANT OF LOAN FACILITY**

LOAN AGREEMENT

The Board is pleased to announce that after trading hours of the Stock Exchange on 11 January 2013, the Company as lender and ACH as borrower entered into the Loan Agreement pursuant to which the Company conditionally agreed to grant the Loan Facility of up to HK\$600 million to ACH.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the grant of the Loan Facility constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As at the date of this announcement, ACH holds 217,514,000 Shares, representing approximately 51.94% of the issued share capital of the Company and is therefore a connected person of the Company. The grant of the Loan Facility therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The grant of the Loan Facility is subject to the approval of the Independent Shareholders at the EGM by way of poll. As at the date of this announcement, AEON (Japan) holds approximately 45.63% of the issued share capital of ACS (Japan), the holding company of ACH, and approximately 71.64% of the issued share capital of AEON Stores (HK) respectively. AEON (Japan) and AEON Stores (HK) also hold 55,990,000 Shares and 3,784,000 Shares, representing approximately 13.37% and 0.90% of the issued share capital of the Company respectively. ACH, AEON (Japan), AEON Stores (HK) and their respective associates shall abstain from voting at the EGM.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Loan Agreement.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Loan Agreement and to give recommendations to the Independent Shareholders on the voting at the EGM. Hercules has been appointed by the Company as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing details of the Loan Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders, the letter of advice of Hercules to the Independent Board Committee and the Independent Shareholders regarding the Loan Agreement, a notice convening the EGM and other information required under the Listing Rules will be despatched to the Shareholders on or about 1 February 2013.

LOAN AGREEMENT

After trading hours of the Stock Exchange on 11 January 2013, the Company as lender and ACH as borrower entered into the Loan Agreement pursuant to which the Company conditionally agreed to grant the Loan Facility of up to HK\$600 million to ACH. Set out below are the principal terms of the Loan Agreement.

- Date: 11 January 2013
- Parties: (i) Lender: the Company; and
(ii) Borrower: AEON Credit Holdings (Hong Kong) Co., Limited.
- Principal amount: Up to HK\$600,000,000
- Drawdown: Multiple drawdown(s) during the Availability Period provided that:
- (i) with respect to each proposed drawdown, the Company shall have notified ACH in writing that the Company has fund available from the Bank Financing (as more particularly detailed and defined in the sub-paragraph headed “Bank Financing” below) to it and agrees to make such drawdown;
 - (ii) ACH shall submit the drawdown notice at least five Business Days before the proposed drawdown date;
 - (iii) the aggregate principal amount outstanding after the drawdown shall not exceed HK\$600,000,000;

- (iv) the amount of each drawdown can be either in HK\$ or RMB, and, if in RMB, with the use of a spot rate based on the rate for currency exchange provided by the banks who provided the Bank Financing, in each case, as notified by the Company to ACH;
- (v) the amount of each drawdown shall be at least HK\$10 million or an integral multiple thereof; and
- (vi) ACH shall specify in the relevant drawdown notice the loan period which shall not be later than the Final Maturity Date.

Availability Period: The drawdown period commencing from the Effective Date and ending on the Final Maturity Date and the Company reserves the absolute right at any time and from time to time to refuse any drawdown.

Final Maturity Date: 26 February 2016 or three years from the Effective Date, whichever is earlier.

Interest rate: The Cost of Funds plus 75 basis points per annum. The Cost of Funds shall represent the Company's funding cost for the purpose of making available each drawdown under the Loan Agreement plus the cost or other amounts incurred by the Company, if any, for the purpose of, if applicable, swapping any floating-rate Bank Financing to fixed-rate borrowing and/or such amounts arising from providing funds in RMB to ACH under the Loan Agreement, in each case, as notified to ACH by the Company.

Interest period: Each interest period shall be of three months duration, except that:

- (i) the first interest period in respect of the Loan shall commence on the applicable drawdown date;
- (ii) if any interest period ends on a non-Business Day, its duration shall be adjusted so as to end on the next Business Day in the same calendar month or, if none, on the immediately preceding Business Day;
- (iii) any interest period which begins either on the last Business Day in a month or for which there is no numerically corresponding day in the calendar month in which such interest period is due to end shall end on the last Business Day of such later month; and
- (iv) no interest period shall extend beyond the Final Maturity Date.

Interest payment:	Interest on the Loan shall be payable in arrears at the end of each interest period and calculated on the basis of the actual number of days elapsed and in a year of 365 days if the base currency is HK\$ or 360 days if the base currency is in RMB.
Prepayment:	<ul style="list-style-type: none"> (i) ACH may not voluntarily prepay any part of the Loan except with the prior written consent of the Company; (ii) ACH agrees that if any amount of the loan(s) arising under the Bank Financing is repaid (in whole or in part) it shall immediately repay the Loan by an equal amount upon demand by the Company; and (iii) any amount prepaid may not be re-borrowed under the Loan Agreement. If the Loan or part thereof is prepaid under any provision of the Loan Agreement, then at the time of such prepayment, ACH shall pay to the Company all accrued interest, fees, prepayment fees, break costs and other sums then due and payable thereunder and, immediately on demand by the Company, such amount as the Company may certify to be necessary to compensate the Company for any loss or expense incurred as a consequence of such prepayment (including loss incurred in liquidating or redeploying funds acquired to maintain the Loan).
Repayment:	ACH shall repay each drawdown in full, together with accrued interest and any other amount owing in respect of such drawdown on the repayment date (which in any event shall not be later than the Final Maturity Date) specified in the drawdown notice relating to such drawdown. Any amount repaid will not be available for drawing by ACH. If the Loan is drawn in HK\$, then ACH shall repay it in HK\$. If the Loan is drawn in RMB, the ACH shall repay it in RMB.
Purpose:	The Loan shall be applied by ACH to finance the PRC Business as detailed under the paragraph headed “Information on ACH”.
Bank Financing:	The source of funding shall be financed by the loans and derivative financial instruments made available to the Company by the banks of the Company pursuant to loan and swap agreements entered and/or to be entered into between the Company and such banks (the “Bank Financing”).

Conditions precedent:

The Loan Agreement is conditional upon the Company having notified ACH in writing that:

- (i) the Company has obtained the necessary consent from the Independent Shareholders in relation to the Loan Agreement and the grant of the Loan Facility; and
- (ii) the Company has received the necessary documents from ACH under the terms of the Loan Agreement to the Company's satisfaction.

None of the above conditions precedents is capable of being waived.

INFORMATION ON ACH

ACH is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of ACS (Japan). ACH is set up as an investment holding company to oversee the business development plan of ACS Japan in the PRC as well as other Asian countries. ACH currently owns two wholly-owned subsidiaries operating in credit card and hire purchase businesses in Taiwan and also holds approximately 51.94% of the issued share capital of the Company. It is expected that the demand for micro-finance, leasing and consumer finance services in the PRC from individuals or enterprises for the purposes of consumption, investment opportunities or business expansion will increase. Therefore, ACH is in the progress of negotiating with financial institutions for loan facilities and will be principally engaged in the PRC Business, including the establishment and operation of micro-finance business, leasing business and consumer finance business. ACH intends to finance the PRC Business by the Loan Facility and the aforesaid loan facilities.

REASONS FOR AND BENEFITS OF GRANT OF THE LOAN FACILITY

The Company is a money lender licensed in Hong Kong under the provisions of the Money Lenders Ordinance. The Group is principally engaged in the provision of consumer credit finance services, which include the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, insurance broking and agency business and micro-finance business.

As disclosed in the annual report of the Company for the year ended 20 February 2012, the Company recorded revenue of approximately HK\$1,116.4 million and profit before taxation of approximately HK\$356.1 million respectively for the year ended 20 February 2012, representing increases of 0.34% and 17.22% respectively as compared to the previous year. It has been the Group's strategy to widen its revenue base and enhance its profitability. As disclosed in the interim report of the Group for the six months ended 20 August 2012, the Group had aggregate advances and receivables of approximately HK\$4,731.8 million, available undrawn committed borrowing facilities of up to JPY10,000,000,000 (equivalent to approximately HK\$881,000,000), available unutilised overdrafts and non-committed short term bank loan facilities of HK\$684,228,000 and HK\$670,412,000 respectively as at 20 August 2012. Under the terms of the Loan Agreement, the interest rate on the Loan will be the Cost of Funds plus 75 basis points per annum and therefore the maximum net interest income derived from the Loan is HK\$13.5 million for the Availability Period. In view of (i)

the available undrawn borrowing facilities, available overdrafts and non-committed short term bank loan facilities; and (ii) the interest rate on the Loan, calculated with reference to cost-plus basis, the Company therefore considers it desirous to grant the Loan Facility to ACH to generate a reasonable return for the Group.

The terms of the Loan Agreement, including the interest rate and the maximum principal amount of the Loan Facility, were negotiated on an arm's length basis between the Company and ACH.

None of the Directors has a material interest in the transaction contemplated under the Loan Agreement but Mr. Masao Mizuno and Mr. Lai Yuk Kwong, the non-executive Directors, and Ms. Koh Yik Kung, an executive Director, have voluntarily abstained from voting on the relevant Board resolutions approving the Loan Agreement for the reason that they are also the directors of ACH.

Based on the above, the Directors (excluding Mr. Masao Mizuno, Mr. Lai Yuk Kwong and Ms. Koh Yik Kung who have abstained from voting on the relevant Board resolutions, and the members of the Independent Board Committee who shall form their view after considering the advice of Hercules) consider that the grant of the Loan Facility is in the interests of the Company and the Shareholders as a whole and the terms of the Loan Agreement are fair and reasonable.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“ACH”	AEON Credit Holdings (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability
“ACS (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.
“AEON Stores (HK)”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 984)
“AEON (Japan)”	AEON Co., Ltd, a company incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange, Inc.
“associates”	the meaning ascribed thereto under the Listing Rules
“Availability Period”	the drawdown period commencing from the Effective Date until the Final Maturity Date
“Board”	the board of Directors
“Business Day(s)”	any day (other than Saturday and Sunday) on which banks are open for business in Hong Kong
“Company”	AEON Credit Service (Asia) Company Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 900)
“connected person”	the meaning ascribed to it in the Listing Rules
“Cost of Funds”	all of the Company’s funding cost in relation to the provision of the Loan, details of which are set out in this announcement
“Director(s)”	director(s) of the Company

“Effective Date”	the date on which the conditions precedent of the Loan Agreement are fulfilled
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Loan Agreement
“Final Maturity Date”	26 February 2016 or three years from the Effective Date, whichever is earlier
“Group”	the Company and its subsidiaries
“Hercules”	Hercules Capital Limited, a corporation licensed to carry out type 6 regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee in respect of the terms of the Loan Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders on the terms of the Loan Agreement
“Independent Shareholders”	Shareholders other than ACH, AEON (Japan), AEON Stores (HK) and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the principal amount advanced pursuant to the Loan Facility and outstanding from time to time
“Loan Agreement”	the loan facility agreement dated 11 January 2013 entered into between the Company as lender and ACH as borrower in relation to the grant of the Loan Facility
“Loan Facility”	the loan facility of an amount not exceeding HK\$600,000,000 to be provided by the Company to ACH in accordance with the terms and conditions of the Loan Agreement
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement

“PRC Business”	the establishment and operation of (i) micro-finance business; (ii) leasing business; and (iii) consumer finance business in the PRC by ACH
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JPY”	Japanese yen, the lawful currency of Japan
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference, sums in JPY and HK\$ in this announcement are translated at the rate of JPY\$1 = HK\$0.0881. This does not mean that HK\$ could be converted into JPY, or vice versa, based on such exchange rate.

By order of the Board
AEON Credit Service (Asia) Company Limited
Fung Kam Shing, Barry
Managing Director

Hong Kong, 11 January 2013

As at the date of this announcement, the Board comprises Mr. Fung Kam Shing, Barry (Managing Director), Mr. Tomoyuki Kawahara, Ms. Koh Yik Kung and Ms. Chan Fung Kuen, Dorothy as Executive Directors; Mr. Masao Mizuno (Chairman) and Mr. Lai Yuk Kwong as non-executive Directors; and Dr. Hui Ching Shan, Mr. Wong Hin Wing and Prof. Tong Jun as independent non-executive Directors.