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AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

AEON 信貸財務(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 900)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF PREVIOUS MASTER SERVICE AGREEMENT**

The Board announces that on 1 March 2016, the Company and AIS entered into the 2016 Master Service Agreement to renew the Previous Master Service Agreement for provision of the Services by AIS to the Group.

AIS is a fellow subsidiary of the Company. Accordingly, the transactions contemplated under the 2016 Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the 2016 Master Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the 2016 Master Service Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 21 October 2010, 20 February 2013 and 16 February 2015 in relation to the Previous Master Service Agreement entered into between the Company and the AIS. .

The Board announces that on 1 March 2016, the Company and AIS entered into the 2016 Master Service Agreement to renew the Previous Master Service Agreement for the provision of the Services by AIS to the Group.

In view of the change of financial year end date of the Company from 20 February to 28 February (or 29 February in a leap year), the Company and AIS entered into a transitional service agreement for provision of the Services on 19 February 2016 for the period of nine days from 21 February 2016 to 29 February 2016 on the same terms as the Previous Master Service Agreement. The transitional service agreement allowed for alignment of future master service agreements with the revised financial year end date without causing disruption to provision of the Services by AIS. The transaction amounts payable to AIS during the period from 21 February 2016 to 29 February 2016 are estimated to be no more than HK\$1,200,000.

2016 MASTER SERVICE AGREEMENT

Date

1 March 2016

Parties

- (a) The Company; and
- (b) AIS.

Services

Pursuant to the 2016 Master Service Agreement, AIS would provide holistic business process outsourcing services to the Group, including but not limited to customer services, telemarketing, credit assessment and accounts management. The Group may request and AIS may provide such other services as the Group may require for its business operation at such fees and on such terms as may be agreed by the parties from time to time. The Group and AIS may from time to time agree to such other fees and/or such other terms for the Services and/or other services.

Members of the Group shall enter into separate agreements with AIS and each agreement shall specify the specific scope of service, transaction price determination and payment terms. Such agreement shall be consistent with the terms and principles of the 2016 Master Service Agreement.

Term

The 2016 Master Service Agreement is for a fixed term of three years commencing on 1 March 2016 and ending on 28 February 2019. The 2016 Master Service Agreement may be terminated by either party prior to its expiry by giving not less than 90 days' prior written notice and may be renewed on such terms and conditions as the parties may mutually agree.

Consideration and payment terms

The service fees payable to AIS were determined between the parties after arm's length negotiations with reference to the time spent and expenses incurred by AIS in the performance of the Services. Service fees for the Services are subject to annual adjustment on each adjustment day falling on the 1st day of March during the term of the 2016 Master Service Agreement. Upward or downward adjustment of service fees shall be made in accordance with the percentage change in the latest available Shenzhen CPI in comparison with the Shenzhen CPI published or announced for the corresponding month in the immediate past year.

To ensure that the terms of the 2016 Master Service Agreement are on normal commercial terms or better, relevant divisions within the Company took part in the negotiations to ensure that the service fees payable by the Company for the Services would not be higher than the estimated costs to be borne by the Company had the Services been provided internally within the Company.

The service fees shall be payable to AIS in RMB on a monthly basis after receipt of an invoice issued by AIS.

ANNUAL CAPS

The historical transaction amounts paid by the Group to AIS under the Previous Master Service Agreement for the year ended 20 February 2014, for the period from 21 February 2014 to 28 February 2015 and for the period from 1 March 2015 to 20 February 2016 were approximately HK\$40,676,000, HK\$44,425,000 and HK\$43,861,000 respectively.

It is estimated that the maximum aggregate amount of service fees payable by the Group to AIS under the 2016 Master Service Agreement would not exceed the Annual Caps set out below:

| <u>Financial Year</u> | <u>Annual Caps</u> |
|-----------------------|--|
| 1/3/2016 to 28/2/2017 | HK\$49,810,000 (approximately RMB40,000,000) |
| 1/3/2017 to 28/2/2018 | HK\$56,040,000 (approximately RMB45,000,000) |
| 1/3/2018 to 28/2/2019 | HK\$63,510,000 (approximately RMB51,000,000) |

The Annual Caps have been determined with reference to the historical transaction amounts, the business plan of the Group, changes in the Shenzhen CPI and the projected quantity of tasks to be assigned to AIS by the Group, plus a buffer to provide flexibility for possible appreciation of the value of RMB.

REASONS FOR THE TRANSACTION

AIS was established in year 2000 primarily for providing call centre services to the Company and has been providing call centre services to the Company since its establishment in 2000. Due to the close relationship between the parties and the continuous upgrading of AIS infrastructure according to the requirements of the Group, AIS is familiar with the Group's culture and operations and is able to provide the Services in a timely and reliable manner, thereby minimizing the management and operational costs of the Group. In outsourcing the tasks to AIS, of which the Company is a shareholder, the Group can have better control on service quality. The Company considers it beneficial to enter into the 2016 Master Service Agreement to facilitate the continuation of the Services to be provided by AIS to the Group which is in line with the Group's strategy to centralize business processes in AIS for operational efficiency.

The Directors, including the Independent Non-executive Directors, consider that the 2016 Master Service Agreement was entered into in the ordinary and usual course of business of the Company, the terms of 2016 Master Service Agreement are on normal commercial terms, and both the terms of the 2016 Master Service Agreement and the Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

AIS is owned as to 50% by each of the Company and AFS Japan, which is a controlling shareholder of the Company interested in approximately 52.73% of the issued shares of the Company. AIS is therefore a connected person of the Company under the Listing Rules and the 2016 Master Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the 2016 Master Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the 2016 Master Service Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the 2016 Master Service Agreement, save for Mr. Hideo Tanaka who is a director of AIS. Accordingly, Mr. Hideo Tanaka has abstained from voting on the Board resolutions approving the 2016 Master Service Agreement.

GENERAL

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 brokerage and agency business, and microfinance business.

AIS is principally engaged in the provision of business process outsourcing services.

DEFINITIONS

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

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|---------------------------------|--|
| “2016 Master Service Agreement” | the master service agreement dated 1 March 2016 entered into between the Company and AIS, major terms of which are set out in this announcement |
| “AFS Japan” | AEON Financial Service Co., Ltd., a company incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange, Inc. |
| “AIS” | AEON Information Service (Shenzhen) Co., Ltd., a company established in the PRC |
| “Annual Caps” | the annual caps under the 2016 Master Service Agreement |
| “Board” | the board of Directors of the Company |
| “Company” | 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 |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |

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|-------------------------------------|---|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Previous Master Service Agreement” | the master service agreement dated 20 October 2010 entered into between the Company and AIS, as renewed by a subsequent master service agreement dated 20 February 2013 |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Services” | business process outsourcing services including but not limited to customer services, telemarketing, credit assessment and accounts management and other services as may be agreed by the Group and AIS from time to time |
| “Shenzhen CPI” | Consumer Price Index of Shenzhen published or announced for each month by the Shenzhen survey office of the National Bureau of Statistics in the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

By order of the Board
Hideo Tanaka
Managing Director

Hong Kong, 1 March 2016

As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong, Ms. Koh Yik Kung and Mr. Kiyoshi Wada as Executive Directors; Mr. Masanori Kosaka (Chairman) as Non-executive Director; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun as Independent Non-executive Directors.