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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 TRANSACTION  
RENEWAL OF MASTER AGREEMENT**

Reference is made to the announcements of the Company respectively dated 20 April 2005, 15 April 2008, 15 April 2011 and 16 April 2014 in relation to the Commission Transactions with AEON Stores under the Master Agreement.

As the Master Agreement will expire on 14 April 2017, the Company and AEON Stores have on 13 April 2017 entered into the 2017 Renewal Agreement to extend the term of the Master Agreement for a further term of three years from 15 April 2017 to 14 April 2020.

AEON Stores is a fellow subsidiary of the Company. Accordingly, the 2017 Renewal Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios in relation to the Commission Transactions under the 2017 Renewal Agreement exceeds 0.1% but is less than 5%, the Commission Transactions 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 respectively dated 20 April 2005, 15 April 2008, 15 April 2011 and 16 April 2014 in relation to the Commission Transactions with AEON Stores under the Master Agreement.

As the Master Agreement will expire on 14 April 2017, the Company and AEON Stores have on 13 April 2017 entered into the 2017 Renewal Agreement to extend the Master Agreement for further three years on substantially the same terms.

**2017 RENEWAL AGREEMENT**

On 13 April 2017, the Company and AEON Stores entered into the 2017 Renewal Agreement for a term of three years commencing on 15 April 2017 and ending on 14 April 2020. The 2017 Renewal Agreement may be terminated by either party prior to the expiry of the fixed term by giving not less than 90 days' prior written notice of termination to the other party and may be renewed on such terms and conditions as the parties may mutually agree.

Pursuant to the 2017 Renewal Agreement, the Company would receive commissions from AEON Stores in respect of the Commission Transactions including but not limited to:

1. purchases of goods and/or services made by customers using credit facilities provided by the Company via various credit cards issued by the Company including but not limited to AEON MasterCard, AEON American Express Credit Card, AEON Visa Card, AEON JCB Card, AEON UnionPay Credit Card and any other co-branded credit cards;
2. purchases of goods and/or services made by customers which are financed by card instalment facilities provided by the Company;
3. purchases of goods and/or services made by customers using payment solutions provided, facilitated or otherwise made available by or through the Company including the usage of any kind of credit, debit, pre-paid and/or stored value cards or other medium or facilities owned and/or operated by the Company; and
4. such other services provided or to be provided by the Company from time to time deriving from, in connection with, incidental or ancillary to any of the transactions contemplated under the 2017 Renewal Agreement or arising out of the cards or other medium or facilities.

With a continuous shift of preference among customers from hire purchase to card instalment plan as well as minimal contribution from hire purchase operation to the Group's revenue and segment results, the Company would not be providing hire purchase facilities under the 2017 Renewal Agreement.

The commissions are calculated on the basis of a fixed percentage of the transaction value of the Commission Transactions. The commission rates payable to the Company by AEON Stores in respect of the Commission Transactions are determined by agreement between the parties from time to time after negotiations at arm's length. In negotiating and agreeing the commission rates and other terms of the Commission Transactions with AEON Stores, the Company has taken into account (i) the interchange fees that would have been payable to the Company as a credit card issuer at applicable rates as set by various Card Associations; (ii) the commission rates for the same or similar types of transactions that are offered by the Company to independent third party merchants; (iii) the continuing co-branded partnership with AEON Stores and the commercial benefits of such partnership to the Company; (iv) the actual or projected funding costs of the Company; and (v) historical and expected business volume generated from the Commission Transactions. The payment terms for the Commission Transactions range from 10 to 40 days.

In accordance with the 2017 Renewal Agreement, the Company may also provide other credit facilities to customers of AEON Stores. The Company and AEON Stores may also enter into other credit transactions in respect of such other credit cards, credit purchase facilities, card instalment facilities, payment solutions and related services as may be provided by the Company to customers of AEON Stores from time to time. The commission rates, fees and/or charges payable by AEON Stores to the Company for such other credit facilities and other credit transactions shall be at such rates and on such terms as may be agreed between the parties from time to time after arms-length negotiations, which rates and terms shall be determined on the same basis as disclosed herein.

## **ANNUAL CAPS**

It is estimated that the maximum aggregate amount of commissions payable by AEON Stores to the Company in respect of the Commission Transactions under the 2017 Renewal Agreement would not exceed the Annual Caps set out below:

<u>Financial Year/Period</u>	<u>Annual Caps</u>
15/4/2017 to 28/2/2018	HK\$ 19,000,000
1/3/2018 to 28/2/2019	HK\$ 22,000,000
1/3/2019 to 29/2/2020	HK\$ 22,000,000
1/3/2020 to 14/4/2020	HK\$ 2,800,000

The aggregate amount of commissions received by the Company from AEON Stores under the Master Agreement for the past three periods from 15 April 2014 to 20 February 2015, from 21 February 2015 to 20 February 2016 and from 21 February 2016 to 20 February 2017 was approximately HK\$12,132,000, HK\$14,058,000 and HK\$13,009,000 respectively. For the period from 21 February 2017 to 14 April 2017, such amount of commissions will be no more than HK\$3,092,000.

The Annual Caps have been determined with reference to (i) the historical value of the Commission Transactions; (ii) the anticipated business growth of the Company in the coming three years; and (iii) the expected increase in the volume of the Commission Transactions.

## **REASONS FOR THE COMMISSION TRANSACTIONS**

The Group is principally engaged in the provision of consumer finance services, which include the issuance of credit cards and the provision of personal loan financing, insurance agency and brokerage business, and microfinance business.

AEON Stores is principally engaged in the operation of general merchandise stores.

The Company is issuing credit cards as well as providing credit purchase facilities, card instalment facilities, payment solutions and related services to customers of AEON Stores. It is in the interest of the Company to continually provide the above facilities and services as they are beneficial to the business and profitability of the Company.

The Directors, including the independent non-executive Directors, consider that the 2017 Renewal Agreement is entered into in the ordinary and usual course of business of the Company, the terms of 2017 Renewal Agreement are on normal commercial terms, and both the terms of the 2017 Renewal Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

AEON Stores is a connected person of the Company within the meaning of the Listing Rules by virtue of its being 71.64% owned by AEON Co., Ltd., which in turn is a controlling shareholder of the Company interested in approximately 67.00% of the issued shares of the Company. Accordingly, the 2017 Renewal Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios in relation to the Commission Transactions under the 2017 Renewal Agreement exceeds 0.1% but is less than 5%, the Commission Transactions 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.

As none of the Directors has a material interest in the Commission Transactions, no Director has abstained from voting on the Board resolutions approving the Commission Transactions.

## **DEFINITIONS**

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

“2017 Renewal Agreement”	the agreement dated 13 April 2017 entered into between the Company and AEON Stores, particulars of which are set out in this announcement
“AEON Stores”	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
“Annual Caps”	the annual caps under the 2017 Renewal Agreement
“Board”	the board of Directors of the Company
“Card Associations”	networks of card issuing entities and acquiring entities processing payment cards of a specific brand, which can be (but is not restricted to) Visa, MasterCard, UnionPay, American Express or JCB
“Commission Transactions”	transactions entered into and to be entered into between the Company and AEON Stores from time to time pursuant to which the Company receives commissions from AEON Stores in respect of purchases made by customers using credit purchase facilities provided by the Company via various credit cards issued by the Company including but not limited to AEON JUSCO MasterCard (now known as AEON MasterCard), AEON JUSCO American Express Credit Card (now known as AEON American Express Credit Card), AEON JUSCO Visa Card (now known as AEON Visa Card), AEON JUSCO JCB Card (now known as AEON JCB Card), AEON JUSCO UnionPay Credit Card (now known as AEON UnionPay Credit Card) and any other co-branded credit cards, card instalment facilities, other credit facilities, payment solutions and other related services provided or to be provided by 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
“Group”	the Company and its subsidiaries
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement dated 15 April 2005 entered into between the Company and AEON Stores in respect of the Commission Transactions, as renewed by three renewal agreements respectively dated 14 April, 2008, 15 April 2011 and 16 April 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Hideo Tanaka**  
*Managing Director*

Hong Kong, 13 April 2017

*As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Ms. Koh Yik Kung, Mr. Kiyoshi Wada, Mr. Tomoharu Fukayama and Mr. Toru Hosokawa as Executive Directors; Mr. Takamitsu Moriyama (Chairman) as Non-executive Director; and Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi as Independent Non-executive Directors.*