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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 MASTER SERVICE AGREEMENT**

On 1 March 2019, the Company and ACSS entered into the 2019 Master Service Agreement to renew the 2016 Master Service Agreement for the provision of the Services by ACSS to the Company.

As ACSS is a fellow subsidiary of the Company, the transactions contemplated under the 2019 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 Annual Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the 2019 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 announcement of the Company dated 31 October 2016 in relation to the 2016 Master Service Agreement entered into between the Company and ACSS. As the 2016 Master Service Agreement expired on 28 February 2019, the Company and ACSS entered into the 2019 Master Service Agreement.

2019 MASTER SERVICE AGREEMENT

Date

1 March 2019

Parties

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

Services

Pursuant to the 2019 Master Service Agreement, ACSS shall provide IT system development and maintenance/support services to the Company, including but not limited to computer software development services, technical consultation services, system implementation services, system integration services, maintenance and support services, and other IT-related services as may be requested by the Company from time to time.

The actual services to be rendered, the service duration, the deliverable items, the resources assigned for rendering the services, the service fees and other terms and conditions relating to the covered services shall be provided in statements of work to be executed by ACSS and the Company, which together shall form an integral part of the 2019 Master Service Agreement upon their execution by the parties.

ACSS shall use its best effort to continuously maintain dedicated personnel for provision of the Services to the Company throughout the term of the 2019 Master Service Agreement. In return, the Company shall allocate assignment to ACSS in a manner to ensure that the average amount payable to ACSS per month for any three consecutive months will not fall below HK\$430,000 (the "Average Payable Amount"). The Company shall be required to give three months' notice to ACSS in case the Company would like to reduce ACSS' personnel for a lower Average Payable Amount at any time.

Term

The 2019 Master Service Agreement is for a fixed term of three years commencing on 1 March 2019 and ending on 28 February 2022, subject to termination by either party giving not less than six months' prior written notice and subject to renewal on such terms and conditions as the parties may mutually agree.

Consideration and payment terms

The service fees payable to ACSS have been determined between the parties after arm's length negotiations with reference to the actual time spent and the number and position of ACSS' personnel assigned to perform the Services. The billing rates of ACSS' personnel are competitive when compared with the billing rates charged or quoted by other service providers. The service fees shall be payable within 30 days after receipt of an invoice issued by ACSS.

ANNUAL CAPS

It is estimated that the maximum aggregate amount of service fees payable by the Company to ACSS under the 2019 Master Service Agreement would not exceed the Annual Caps of HK\$14,000,000 for each of the three years ending 28 February 2022.

The historical transaction amounts paid by the Company to ACSS under the 2016 Master Service Agreement were approximately HK\$1,207,000 for the period from 1 November 2016 to 28 February 2017 and HK\$9,862,000 and HK\$9,025,000 for each of the two years ended 28 February 2019 respectively.

The Annual Caps have been determined with reference to the historical transaction amounts, the projected scope of Services to be provided by ACSS, the estimated number of ACSS' personnel required to provide the Services, and the estimated time spent by such ACSS' personnel to provide the Services with reference to the billing rates of such ACSS' personnel as specified in the 2019 Master Service Agreement.

REASONS FOR AND BENEFITS OF THE 2019 MASTER SERVICE AGREEMENT

ACSS has in-depth knowledge and understanding of the business and systems of the Company, which would facilitate faster response to meet the Company's information and communication system development, enhancement and maintenance needs. ACSS is also able to maintain a stable supply of qualified IT development personnel that the Company requires for its systems. In outsourcing the Services to ACSS, of which the Company is a shareholder, the Company is better assured that its confidential information including business plans, know-how, technical and financial information would be kept confidential by ACSS. In addition, as ACSS is the company of AFS Japan Group specialising in IT, ACSS would continue to provide IT services to the AFS Japan Group regardless of the contract terms as long as it is beneficial and in the interests of the AFS Japan Group as a whole.

The Directors, including the Independent Non-executive Directors, consider that the 2019 Master Service Agreement is entered into in the ordinary and usual course of business of the Company, the terms of the 2019 Master Service Agreement are on normal commercial terms, and both the terms of the 2019 Master Service 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

ACSS is owned as to 3.33% by the Company and 90% by AFS Japan, which is a controlling shareholder of the Company interested in approximately 52.86% of the issued shares of the Company. Accordingly, the transactions contemplated under the 2019 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 Annual Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the 2019 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.

As none of the Directors has a material interest in the transactions contemplated under the 2019 Master Service Agreement, no Director has abstained from voting on the Board resolutions approving the 2019 Master Service Agreement.

GENERAL INFORMATION

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, insurance agency and brokerage business, and microfinance business.

ACSS is principally engaged in the provision of information and communication technology services to AFS Japan Group.

DEFINITIONS

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

“2016 Master Service Agreement”	the master service agreement dated 31 October 2016 entered into between the Company and ACSS
“2019 Master Service Agreement”	the master service agreement dated 1 March 2019 entered into between the Company and ACSS, major terms of which are set out in this announcement
“ACSS”	AEON Credit Service Systems (Philippines) Inc., a company incorporated in the Philippines with limited liability
“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.
“AFS Japan Group”	AFS Japan and its overseas subsidiaries, including the Company
“Annual Caps”	the annual caps under the 2019 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
“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

“Services” IT system development and maintenance/support services including but not limited to computer software development services, technical consultation services, system implementation services, system integration services, maintenance and support services, and other IT-related services as may be requested by the Company from time to time

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By order of the Board
Hideo Tanaka
Managing Director

Hong Kong, 1 March 2019

As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Ms. Koh Yik Kung and Mr. Tomoharu Fukayama as Executive Directors; Mr. Masaaki Mangetsu (Chairman) as Non-executive Director; and Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi as Independent Non-executive Directors.