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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 2019, the Company and AIS entered into the 2019 Master Service Agreement to further 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 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 2019 Master Service Agreement 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 1 March 2016 in relation to the last renewal of the Previous Master Service Agreement entered into between the Company and the AIS.

The Board announces that on 1 March 2019, the Company and AIS entered into the 2019 Master Service Agreement to further renew the Previous Master Service Agreement for the provision of the Services by AIS to the Group.

**2019 MASTER SERVICE AGREEMENT**

**Date**

1 March 2019

**Parties**

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

## **Services**

Pursuant to the 2019 Master Service Agreement, AIS would continue to 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 operations 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 2019 Master Service Agreement.

## **Service levels**

The Services to be provided by AIS to the Group shall be subject to specific service levels as the basis of a price adjustment mechanism for more reliably linking the performance of AIS to service fees payable by the Company under the 2019 Master Service Agreement. Service levels were set and agreed between the parties based on the performance of AIS in providing the Services for the year ended 28 February 2019. For each type of the Services, depending on whether the achieved service level exceeds, is equal to or falls below the corresponding agreed service level, the relevant service fees payable to AIS shall accordingly be increased by 10%, remain unaltered or be reduced by 10%.

Agreed service levels shall be subject to annual review by the parties during the term of the 2019 Master Service Agreement. Revision to agreed service levels shall be agreed by the parties and be made with reference to the historical performance of AIS for the immediate past 12 calendar months in providing the Services as well as any such other factors as the parties may then consider relevant and appropriate.

## **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. The 2019 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**

Subject to any adjustment as may be arising under the price adjustment mechanism, the service fees payable to AIS were agreed between the parties to be the average staff cost incurred by AIS with respect to its employees made available for delivering the Services, multiplied by the number of such employees actually deployed.

Average staff cost to AIS is subject to an annual upward adjustment of 10% from the immediate past year during the term of the 2019 Master Service Agreement. This adjustment factor of 10% was selected and agreed upon by the parties with reference to statistics on relevant employee pay increment trends in Shenzhen and Qingyuan as released by the PRC government sources. For cost control purposes, agreed caps are placed on the number of employees that can be deployed by AIS at any time to provide the Services under the 2019 Master Service Agreement.

The service fees payable to AIS, including any possible adjustment under the price adjustment mechanism, under the 2019 Master Service Agreement was determined after arm's length negotiations between the parties. To ensure that the terms of the 2019 Master Service Agreement are on normal commercial terms or better, the Company has made comparison with the rates quoted by independent third parties for offering comparable services. The Company considers that the likely service fees payable to AIS and the terms of the Services as contained in the 2019 Master Service Agreement are no less favourable to the Group than those offered by independent third party service providers.

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 three years ended 28 February 2019 were HK\$39,640,000, HK\$36,530,000 and approximately HK\$30,492,000 respectively.

It is estimated that the maximum aggregate amount of service fees payable by the Group to AIS under the 2019 Master Service Agreement would not exceed the Annual Caps set out below:

<u>Financial Year</u>	<u>Annual Caps</u>
1/3/2019 to 29/2/2020	HK\$39,000,000 (approximately RMB33,359,000)
1/3/2020 to 28/2/2021	HK\$43,000,000 (approximately RMB36,780,000)
1/3/2021 to 28/2/2022	HK\$49,000,000 (approximately RMB41,913,000)

The Annual Caps have been determined with reference to the historical transaction amounts, the anticipated increment in staff costs to AIS, any additional service fees potentially payable to AIS for exceeding the agreed service levels, the business plan of the Group 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 has been providing call centre services to the Company since its establishment in 2000. Due to the subsisting 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 has demonstrated capability 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 2019 Master Service Agreement to facilitate the further continuation of the Services to be provided by AIS to the Group, which is in line with the Group's strategy to centralise business processes in AIS for greater operational efficiency.

The Directors, including the Independent Non-executive Directors, consider that the 2019 Master Service Agreement was entered into in the ordinary and usual course of business of the Company, the terms of 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 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 52.86% of the issued shares of the Company. AIS is therefore a connected person of the Company under the Listing Rules and the 2019 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 2019 Master Service Agreement 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.

None of the Directors has a material interest in the transactions contemplated under the 2019 Master Service Agreement, save for Mr. Lai Yuk Kwong, who is a director of AIS. Accordingly, Mr. Lai Yuk Kwong has abstained from voting on the Board resolutions approving the 2019 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, insurance agency and brokerage 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:

“2019 Master Service Agreement”                      the master service agreement dated 1 March 2019 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 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 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 two subsequent master service agreements respectively dated 20 February 2013 and 1 March 2016
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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.*