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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 BUSINESS ADVISORY SERVICE AGREEMENT**

Reference is made to the announcement of the Company dated 1 March 2018 in relation to the provision of the Services to the Group under the Business Advisory Service Agreement.

On 1 March 2019, the Company and AFS HK entered into the 2019 Renewal Agreement pursuant to which AFS HK, with the support from AFS Japan, shall continue to provide the Services to the Group for a further term of one year from 1 March 2019 to 29 February 2020.

As AFS HK is a controlling shareholder of the Company, AFS HK is a connected person of the Company. Accordingly, the 2019 Renewal Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As each of the applicable percentage ratios for the Annual Cap exceeds 0.1% but is less than 5%, the 2019 Renewal Agreement is 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 2018 in relation to the provision of the Services to the Group under the Business Advisory Service Agreement.

As the Business Advisory Service Agreement expired on 28 February 2019, the Company and AFS HK have on 1 March 2019 entered into the 2019 Renewal Agreement to extend the term of the Business Advisory Service Agreement for further one year.

**THE 2019 RENEWAL AGREEMENT**

**Date**

1 March 2019

**Parties**

- (a) The Company; and
- (b) AFS HK.

## **Services**

AFS HK, with the support from AFS Japan, shall provide to the Group consultation and advisory services with special reference to the consumer finance industry, including but not limited to general as well as case-specific advice and guidance on business strategies, marketing strategies, Group structure strategies, funding arrangements, risk management, operational audit and investment opportunities.

## **Term**

The 2019 Renewal Agreement is for a term of one year from 1 March 2019 to 29 February 2020. Upon written notice by either of the Company or AFS HK to the other party no later than one month before the expiry of the 2019 Renewal Agreement, the 2019 Renewal Agreement may be renewed on such terms and conditions as the Company and AFS HK may mutually agree.

## **Consideration and payment terms**

Pursuant to the 2019 Renewal Agreement, the Company shall pay an advisory fee to AFS HK that was determined between the parties after arm's length negotiations with reference to the operating expenses incurred by the relevant departments, including those responsible for control and corporate planning and investor relations, innovation planning and stores system research, international business planning and international business administration, accounting and finance and credit planning, general affairs and human resources, system planning and management, legal and compliance and risk management and audit, of AFS HK and/or AFS Japan in providing the Services to the Group for the year ended 28 February 2019, and incorporating a mark-up of 5% to take into account the OECD transfer pricing guidelines.

The advisory fee shall be payable on a monthly basis after receipt of an invoice issued by AFS HK.

## **ANNUAL CAP**

The maximum annual aggregate transaction amount payable under the 2019 Renewal Agreement is estimated to be HK\$14,900,000 (the "**Annual Cap**") for the year ending 29 February 2020.

The annual aggregate transaction amounts paid by the Company to AFS HK under the Business Advisory Service Agreement were approximately HK\$11,567,000, HK\$13,678,000 and HK\$14,300,000 respectively for the three years ended 28 February 2019.

The Annual Cap has been determined with reference to (i) the historical transaction amounts; and (ii) the estimated operating expenses to be incurred by the relevant departments of AFS HK and/or AFS Japan in providing the Services for the period from 1 March 2019 to 29 February 2020.

## **REASONS FOR THE TRANSACTION**

The Board believes that the Services, which are tailored to the unique requirements and circumstances of the Group, would continue to enable the Group to benefit from the expertise and experience of AFS HK and AFS Japan in the consumer finance industry. Through the Services, the Group is expecting to improve its strategic planning as well as its innovation capability, which is likely to contribute to the sustainable business growth of the Group in the long run. Independent third parties with comparable expertise and/or experience in the consumer finance industry may not be available to provide the Services to the Group.

The Directors, including the Independent Non-executive Directors, consider that the 2019 Renewal Agreement is entered into in the ordinary and usual course of business of the Company, the terms of the 2019 Renewal Agreement are on normal commercial terms, and both the terms of the 2019 Renewal Agreement and the Annual Cap are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

AFS HK is a controlling shareholder of the Company interested in approximately 52.86% of the issued shares of the Company. AFS HK is a wholly-owned subsidiary of AFS Japan. AFS HK is therefore a connected person of the Company and the 2019 Renewal Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for the Annual Cap exceeds 0.1% but is less than 5%, the 2019 Renewal Agreement is 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 Renewal Agreement, save for Mr. Masaaki Mangetsu who is a director of AFS Japan. Accordingly, Mr. Masaaki Mangetsu has abstained from voting on the Board resolutions approving the 2019 Renewal 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.

AFS HK is an investment holding company.

AFS Japan is currently a bank holding company, with subsidiaries conducting banking business, credit card business and other businesses. AFS Japan is under the supervision and regulation of the Financial Services Agency of Japan. AFS Japan, which was formerly known as AEON Credit Service Co., Ltd. ("ACS Japan"), has extensive know-how and expertise in the consumer finance industry. On 1 April 2013, through management integration and share swap with AEON Bank Ltd., ACS Japan became a bank holding company and AEON Bank Ltd. became its wholly-owned subsidiary. At the same time, ACS Japan changed its name to AFS Japan.

## DEFINITIONS

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

“2019 Renewal Agreement”	the business advisory service agreement dated 1 March 2019 entered into between the Company and AFS HK, major terms of which are set out in this announcement
“AFS HK”	AEON Financial Service (Hong Kong) Co., Limited, a company incorporated in Hong Kong 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.
“Business Advisory Service Agreement”	the business advisory service agreement dated 27 April 2015 entered into between the Company and AFS HK, as renewed by three renewal agreements respectively dated 1 March 2016, 1 March 2017 and 1 March 2018.
“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
“OECD”	Organisation for Economic Co-operation and Development
“Services”	consultation and advisory services with special reference to the consumer finance industry, including but not limited to general as well as case-specific advice and guidance on business strategies, marketing strategies, Group structure strategies, funding arrangements, risk management, operational audit and investment opportunities
“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.*