

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 announcement of the Company dated 13 April 2017 in relation to the Commission Transactions with AEON Stores under the Master Agreement.

As the Master Agreement will expire on 14 April 2020, the Company and AEON Stores have on 3 April 2020 entered into the 2020 Renewal Agreement to extend the term of the Master Agreement for a further term of three years from 15 April 2020 to 14 April 2023.

AEON Stores is a fellow subsidiary of the Company. Accordingly, the 2020 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 2020 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 announcement of the Company dated 13 April 2017 in relation to the Commission Transactions with AEON Stores under the Master Agreement.

As the Master Agreement will expire on 14 April 2020, the Company and AEON Stores have on 3 April 2020 entered into the 2020 Renewal Agreement to extend the term of the Master Agreement for further three years on substantially the same terms.

2020 RENEWAL AGREEMENT

On 3 April 2020, the Company and AEON Stores entered into the 2020 Renewal Agreement for a term of three years commencing on 15 April 2020 and ending on 14 April 2023. The 2020 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 2020 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 Credit Card, AEON Visa Credit Card, AEON JCB Credit 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 2020 Renewal Agreement or arising out of the cards or other medium or facilities.

As the Company had stopped providing hire purchase facilities, hire purchase transactions had not formed part of the renewal of the Master Agreement from 15 April 2017. With the Company no longer issuing credit cards bearing the American Express brand from early 2019, the previous AEON JUSCO American Express Card Agreement dated 19th June 2001 between the Company and AEON Stores was terminated on 8 January 2019.

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 2020 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 commission payable by AEON Stores to the Company in respect of the Commission Transactions under the 2020 Renewal Agreement would not exceed the Annual Caps set out below:

<u>Financial Year/Period</u>	<u>Annual Caps</u>
15/4/2020 to 28/2/2021	HK\$ 19,000,000
1/3/2021 to 28/2/2022	HK\$ 22,000,000
1/3/2022 to 28/2/2023	HK\$ 22,000,000
1/3/2023 to 14/4/2023	HK\$ 2,800,000

The aggregate amount of commissions received by the Company from AEON Stores for the past period from 15 April 2017 to 28 February 2018 and two years ended 29 February 2020 was approximately HK\$13,066,000, HK\$12,481,000 and HK\$12,572,000 respectively. For the period from 1 March 2020 to 14 April 2020, such amount of commissions will be no more than HK\$1,318,000.

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

REASONS FOR THE COMMISSION TRANSACTIONS

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, card payment processing services, 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 2020 Renewal Agreement is entered into in the ordinary and usual course of business of the Company, the terms of 2020 Renewal Agreement are on normal commercial terms, and both the terms of the 2020 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 60.59% owned by AEON Co., Ltd., which in turn is a controlling shareholder of the Company interested in approximately 67.13% of the issued shares of the Company. Accordingly, the 2020 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 2020 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:

- “2020 Renewal Agreement” the agreement dated 3 April 2020 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 2020 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, 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 Credit Card), AEON JUSCO VISA Card (now known as AEON Visa Credit Card), AEON JUSCO JCB Card (now known as AEON JCB Credit 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 four renewal agreements respectively dated 14 April 2008, 15 April 2011, 16 April 2014 and 13 April 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Hideo Tanaka
Managing Director

Hong Kong, 3 April 2020

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. Tony Fung 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.