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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  
THE CARD ACQUIRING MERCHANT AGREEMENT**

**Financial Adviser to the Company**



**Sorrento Capital Limited**

On 30 June 2021, after trading hours of the Stock Exchange, the Company entered into the Card Acquiring Merchant Agreement with AEON Stores, pursuant to which the Company will provide Acquiring Services to AEON Stores under the Off-us Acquiring Transactions for a term of three years commencing from the Effective Date. The Card Acquiring Merchant Agreement is subject to the fulfilment of the condition precedent stated below.

In view of the similar nature of the On-us Commission Transactions and the Off-us Acquiring Transactions and that both types of transactions have been/ will be conducted with the AEON Stores, the transactions under both the 2020 Renewal Agreement and the Card Acquiring Merchant Agreement shall be aggregated when calculating the annual caps pursuant to Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in relation to the Off-us Caps and the Aggregate Caps exceeds 0.1% but is less than 5%, the On-us Commission Transactions and the Off-us Acquiring Transactions together 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 in relation to the 2020 Renewal Agreement and the On-us Commission Transactions between the Company and AEON Stores.

On 30 June 2021, after trading hours of the Stock Exchange, the Company entered into the Card Acquiring Merchant Agreement with AEON Stores, pursuant to which the Company will provide the Acquiring Services to AEON Stores under the Off-us Acquiring Transactions for a term of three years commencing from the Effective Date. The Card Acquiring Merchant Agreement is subject to the fulfilment of the condition precedent stated below.

## THE CARD ACQUIRING MERCHANT AGREEMENT

The principal terms of the Card Acquiring Merchant Agreement are set out below:

- Date** : 30 June 2021
- Parties** : (i) The Company; and  
(ii) AEON Stores
- Term** : A term of three years commencing from the Effective Date.
- Effective Date** : Either (i) 16 August 2021, subject to fulfilment of the condition precedent below; or (ii) a date after fulfilment of such condition precedent and mutually agreed by the Company and AEON Stores, whichever is later.
- Nature of transactions** : Pursuant to the Card Acquiring Merchant Agreement, on a non-exclusive basis, both parties agreed that for the Company to provide the Acquiring Services to AEON Stores under the Off-us Acquiring Transactions, among other things:
- (i) the Company will provide and install the EDC terminals at the premises of AEON Stores (where the Off-us Acquiring Transactions will be conducted) as AEON Stores may reasonably require;
  - (ii) the Company will make use of the EDC terminals to capture the necessary Card details for processing payments made by customers of AEON Stores using Cards; and
  - (iii) the Group will charge commission for processing such payments based on the applicable MDRs specified in the Card Acquiring Merchant Agreement and the amounts paid.
- Pricing basis** : The MDRs specified in the Card Acquiring Merchant Agreement range from 1.15% to 1.90%, depending on the brand of the Card used in the Off-us Acquiring Transactions (e.g. Visa, Mastercard, UnionPay and JCB) and the nature of the sales (which shall be either supermarket sales or general merchandise store sales under the Card Acquiring Merchant Agreement).
- Chargeback and dispute** : Where there is any Chargeback to the knowledge of the Company, the Company shall forthwith inform AEON Stores of the same and, based on the best knowledge and belief of the Company, advise AEON Stores of any possible mechanism that AEON Stores may pursue to

defend against such Chargeback subject to provision of reasonable supporting documents and/ or information by AEON Stores.

If any dispute arises or exists between AEON Stores and an individual person carrying, tapping, using or showing a Card or any other person in relation to any merchandise or services, or any representation or obligation made in connection with an Off-us Acquiring Transaction, AEON Stores shall at all times indemnify the Company against all claims, and to hold the Company harmless from all costs, losses and liability resulting from such dispute and suffered by the Company, provided that there is no material fault or delay on the part of the Company contributing to the loss or claim.

- Condition precedent** : The Card Acquiring Merchant Agreement is conditional upon:
- (i) the obtaining of the approval of the independent shareholders of AEON Stores of the Card Acquiring Merchant Agreement, the transactions contemplated thereunder and the relevant annual caps; and
  - (ii) each of the Card Acquiring Merchant Agreement and all the transactions contemplated thereunder respectively by both the Company and AEON Stores being in compliance with all applicable requirements under the Listing Rules (save as to antecedent breach).

Should the Card Acquiring Merchant Agreement fail to fulfill the condition precedent above, the Card Acquiring Merchant Agreement shall immediately become null and void and neither the Company nor AEON Stores shall have any claims against each other whatsoever.

- Termination** : Either the Company or AEON Stores may terminate the Card Acquiring Merchant Agreement by giving to the other party 90 days' written notice in advance.

## OFF-US CAPS AND AGGREGATION OF ANNUAL CAPS

It is estimated that the maximum aggregate amount of commission payable by AEON Stores to the Company in respect of the Off-us Acquiring Transactions under the Card Acquiring Merchant Agreement would not exceed the Off-us Caps set out below:

<u>Financial Year/Period</u>	<u>Off-us Caps</u>
16/8/2021 to 28/2/2022	HK\$13,600,000
1/3/2022 to 28/2/2023	HK\$22,500,000
1/3/2023 to 29/2/2024	HK\$22,500,000
1/3/2024 to 15/8/2024	HK\$9,200,000

The Off-us Caps are determined based on (i) the expected Card transaction volume of AEON Stores with reference to AEON Stores' historical Card sales data (with respect to both Cards issued by the Company and those by other financial institutions); (ii) the MDRs under the Card Acquiring Merchant Agreement; and (iii) the growth of Card transaction volume/ amount for AEON Stores as expected by the Company, particularly in relation to AEON Stores' expansion of store network and Card promotions.

Based on the factors mentioned above, the weighted average MDR is estimated to be approximately 1.36%. In determining the MDRs and to ensure that the MDRs offered by the Company to AEON Stores would be no more favourable than the MDRs the Company are offering to its independent third party customers in the market for Acquiring Services, the Company has taken into account, among other things, (i) the interchange fees that would be payable by the Company as a provider of Acquiring Services to the Card Associations at applicable rates as set by various Card Associations; (ii) the MDRs for the same or similar types of transactions that are offered by the Company to independent third party merchants; (iii) the actual or projected funding costs of the Company; and (iv) anticipated transaction volume of AEON Stores in terms of purchases made by its customers using Cards.

In view of the similar nature of the On-us Commission Transactions and the Off-us Acquiring Transactions and that both types of transactions have been/ will be conducted with AEON Stores, the transactions under both the 2020 Renewal Agreement and the Card Acquiring Merchant Agreement shall be aggregated when calculating the annual caps pursuant to Chapter 14A of the Listing Rules. Set out below are the On-us Caps, the Off-us Caps and the Aggregate Caps (as applicable) for the five financial years ending 28 February 2025:

	<b>For the financial year ended/ending 28/29 February</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
On-us Caps	19,000	22,000	22,000	2,800	-
				<i>(Note 1)</i>	
Off-us Caps	-	13,600	22,500	22,500	9,200
					<i>(Note 2)</i>
Aggregate Caps	19,000	35,600	44,500	25,300	9,200

*Notes:*

1. The amount is with respect to the expected On-us Commission Transactions for the period from 1 March 2023 to 14 April 2023.
2. The amount is with respect to the expected Off-us Acquiring Transactions for the period from 1 March 2024 to 15 August 2024.

The total amount of commissions received by the Company from AEON Stores in respect of the On-us Commission Transactions under the 2020 Renewal Agreement for the period from 15 April 2020 to 28 February 2021 was HK\$12,233,000.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CARD ACQUIRING MERCHANT AGREEMENT**

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.

Currently, the Company is paying EDC terminal sharing fee to a third-party supplier of Acquiring Services to AEON Stores for the Company to use the EDC terminals of that third-party supplier to process the Commissions Transactions. Through entering into the Card Acquiring Merchant Agreement, the Company will be able to install EDC terminals at the premises of AEON Stores, which in turn allows the Company to use its own EDC terminals (for both the On-us Commission Transactions and the Off-us Acquiring Transactions) and save on the EDC terminal sharing fee. In addition to such cost savings, the Off-us Acquiring Transactions are expected to (i) increase the Company's income through commission to be generated from the Off-us Acquiring Transactions; and (ii) enhance the brand credibility of the Company as a provider of Acquiring Services to sizeable merchants.

The Directors, including the independent non-executive Directors, consider that the Card Acquiring Merchant Agreement is entered into in the ordinary and usual course of business of the Company, the terms of the Card Acquiring Merchant Agreement are on normal commercial terms, and both the terms of the Card Acquiring Merchant Agreement and the Off-us 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 approximately 60.59% owned by AEON Co., Ltd., which in turn is a controlling shareholder of the Company (as defined in the Listing Rules) interested in approximately 67.13% of the issued shares of the Company. Accordingly, transactions under both the Card Acquiring Merchant Agreement and the 2020 Renewal Agreement constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in relation to the Off-us Caps and the Aggregate Caps exceeds 0.1% but is less than 5%, the On-us Commission Transactions and the Off-us

Acquiring 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 On-us Commission Transactions or the Off-us Acquiring Transactions, no Director has abstained from voting on the Board resolutions approving the aforesaid transactions.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“2020 Renewal Agreement”	the agreement dated 3 April 2020 entered into between the Company and AEON Stores to extend the term of the Master Agreement for a term of three years from 15 April 2020 to 14 April 2023, particulars of which are set out in the Announcements
“Acquiring Services”	Card acquiring services in connection with Card payment, authorisation, processing and settlement to facilitate a merchant's acceptance of Cards for settling retail transactions by its customers
“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
“Aggregate Cap(s)”	the annual On-us Cap(s) and Off-us Cap(s) in aggregate
“Announcements”	the announcements of the Company dated 3 April 2020 and 23 April 2020 in relation to the 2020 Renewal Agreement and the On-us Commission Transactions between the Company and AEON Stores
“Board”	the board of Directors
“Card”	a credit or debit card bearing the mark(s) and/or hologram(s) in the form from time to time specified by the respective Card Associations and issued by a member of the Card Association
“Card Acquiring Merchant Agreement”	the agreement dated 30 June 2021 entered into between the Company and AEON Stores, particulars of which are set out in this announcement

“Card Association(s)”	network(s) of Card issuing entities and acquiring entities processing Cards of a specific brand, which can be (but is not restricted to) Visa, Mastercard, UnionPay, or JCB
“Chargeback”	a demand by a Card issuing financial institution or a Card Association to be repaid a sum of money paid by the Company in respect of a Card transaction with AEON Stores or its authorised agent which has been previously settled between AEON Stores and the Company and for which the Company may or may not have been paid by that Card Association
“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
“Director(s)”	the director(s) of the Company
“EDC”	Electronic Data Capture
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Agreement”	the agreement dated 15 April 2005 and entered into between the Company and AEON Stores in respect of the On-us Commission Transactions, as renewed by five renewal agreements respectively dated 14 April 2008, 15 April 2011, 16 April 2014, 13 April 2017 and 3 April 2020
“MDR(s)”	merchant discount rate(s), being a rate charged by a provider of Acquiring Services to merchants as payment processing fee for Card transactions
“Off-us Acquiring Transactions”	transactions to be entered into between the Company and AEON Stores under the Card Acquiring Merchant Agreement from time to time pursuant to which the Company receives from AEON Stores commission based on MDRs in respect of purchases made by its customers using Cards of brands such as (but not restricted to) Visa,

	Mastercard, UnionPay, or JCB issued by financial institutions other than the Company
“Off-us Cap(s)”	the annual cap(s) under the Card Acquiring Merchant Agreement
“On-us Cap(s)”	the annual cap(s) under the 2020 Renewal Agreement
“On-us Commission Transactions”	transactions entered into and to be entered into between the Company and AEON Stores under the 2020 Renewal Agreement 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 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 cobranded credit Cards, Card instalment facilities, other credit facilities, payment solutions and other related services provided or to be provided by the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board  
**Tomoharu Fukayama**  
*Managing Director*

Hong Kong, 30 June 2021

*As at the date of this announcement, the Board comprises Mr. Tomoharu Fukayama (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Mr. Tony Fung and Mr. Daisuke Takenaka as Executive Directors; Mr. Tomoyuki Mitsufuji (Chairman) and Ms. Jin Huashu as Non-executive Directors; and Mr. Lee Ching Ming Adrian, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi as Independent Non-executive Directors.*