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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)

**CONNECTED TRANSACTION
AND CONTINUING CONNECTED TRANSACTION
RENEWAL OF LICENCE AGREEMENT**

Reference is made to the announcement of the Company dated 23 February 2021 in relation to the Existing Licence Agreement for the lease of the Premises.

On 25 March 2022, the Company (as licensee) and AEON Stores (as licensor) entered into the 2022 Licence Agreement to renew the Existing Licence Agreement for the lease of the Premises for another term of one year.

AEON Stores is a fellow subsidiary of the Company. As the Company has to recognise its right to use the Premises under the 2022 Licence Agreement as an asset under HKFRS 16, the lease of the Premises under the 2022 Licence Agreement constitutes an acquisition of asset and, accordingly, a connected transaction of the Company under Chapter 14A of the Listing Rules. Payment of outgoings under the 2022 Licence Agreement to be made by the Company to AEON Stores, comprising the Rates, Management Fee and Utility Charges, constitutes a continuing connected transaction.

As one or more of the applicable percentage ratios in respect of the right to use the Premises under the 2022 Licence Agreement exceed 0.1% but are less than 5%, the 2022 Licence Agreement is subject to the reporting and announcement 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 23 February 2021 in relation to the Existing Licence Agreement for the lease of the Premises.

As the Existing Licence Agreement will expire on 31 March 2022, the Company and AEON Stores entered into the 2022 Licence Agreement to renew the Existing Licence Agreement for the lease of the Premises for a term of one year.

2022 LICENCE AGREEMENT

Date

25 March 2022

Parties

- (a) The Company as licensee; and
- (b) AEON Stores as licensor.

Premises

Shop No. L108, 1/F, Kornhill Plaza (South), 2 Kornhill Road, Quarry Bay, Hong Kong, with an approximate area of 827 square feet.

Term

One year from 1 April 2022 to 31 March 2023.

Licence Fee

HK\$236,310 per month (exclusive of the Rates, Management Fee and Utility Charges).

The Licence Fee was arrived at after arm's length negotiations between the parties with reference to prevailing market rent, which was ascertained through comparing the rentals of other properties of similar use, function and utility in about the same location.

Rates

5% of the Licence Fee per month.

Management Fee

HK\$11,578 per month (subject to upward adjustment by AEON Stores).

Utility Charges

Based on the tariffs of the applicable public utility providers and the actual amount of consumption by the Company (Utility Charges are payable to AEON Stores only with respect to such utilities for which the Company's own accounts with the applicable public utility providers are not maintained).

Payment Term

The Licence Fee, Rates, Management Fee and Utility Charges are to be paid in advance on a monthly basis.

IMPLICATIONS OF HKFRS 16 TO THE 2022 LICENCE AGREEMENT

The unaudited value of the right-of-use asset recognised by the Company for the lease of Premises under the 2022 Licence Agreement amounts to approximately HK\$3,100,000, which is the present value of (i) total licence fee payable for the Remaining 2021 Term and throughout the Term; and (ii) estimated costs of reinstatement of the Premises on surrender of the Premises following expiry or earlier termination of the 2022 Licence Agreement, in accordance with HKFRS 16. Incremental borrowing rate of 2.5% is applied to compute the present value.

Outgoings under 2022 Licence Agreement, comprising the Rates, Management Fee and Utility Charges, will be recognised as expenses in the profit and loss accounts of the Company in the respective financial periods in which they are incurred.

ANNUAL CAPS

Based on the Rates, Management Fee and Utility Charges as mentioned above, and taking into account possible upward adjustment to the Management Fee by AEON Stores, it is expected that the maximum aggregate amount payable by the Company to AEON Stores for outgoings under the 2022 Licence Agreement would not exceed the Annual Caps set out below:

| <u>Financial Period</u> | <u>Annual Caps</u> |
|-------------------------|--------------------|
| 1/4/2022 to 28/2/2023 | HK\$308,000 |
| 1/3/2023 to 31/3/2023 | HK\$28,000 |

The aggregate amount of the rates, management fee and utility charges paid by the Company to AEON Stores for the lease of the Premises was approximately HK\$266,000 for the period from 1 April 2019 to 29 February 2020, HK\$292,000 and HK\$292,500 respectively for the two years ended 28 February 2022, and will be approximately HK\$25,000 for the period from 1 March 2022 to 31 March 2022.

REASONS FOR THE TRANSACTION

The Company is using the Premises as a branch office of the Company for the provision of consumer credit finance services to the customers of both the Company and AEON Stores. The Company considers it beneficial to enter into the 2022 Licence Agreement to support the continued provision of the services to the customers as well as to maintain a close business relationship and collaboration with AEON Stores.

The Directors, including the independent non-executive Directors, consider that the 2022 Licence Agreement was entered into in the ordinary and usual course of business of the Company, the terms of the 2022 Licence Agreement are on normal commercial terms, and both the terms of the 2022 Licence 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.

As the Remaining 2021 Term and the Term combined exceeds 12 months, the Group has to recognise the lease of the Premises under the 2022 Licence Agreement as a one-off acquisition of a right-of-use asset under HKFRS 16. Accordingly, the lease of the Premises under the 2022 Licence Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Payment of outgoings under the 2022 Licence Agreement, comprising the Rates, Management Fee and Utility Charges, to be made by the Company to AEON Stores, constitutes a continuing connected transaction.

As one or more of the applicable percentage ratios in respect of the right to use the Premises under the 2022 Licence Agreement exceed 0.1% but are less than 5%, the 2022 Licence Agreement is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that none of the applicable percentage ratios in respect of the Annual Caps exceed 0.1%, the continuing connected transaction with respect to payment of outgoings under the 2022 Licence Agreement constitutes a de minimis transaction of the Company and is exempt from reporting, announcement, annual review and independent shareholders' approval requirements.

As none of the Directors has a material interest in the transactions contemplated under the 2022 Licence Agreement, no Director has abstained from voting on the Board resolutions approving the 2022 Licence 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, card payment processing services, insurance agency and brokerage business, and microfinance business.

AEON Stores is principally engaged in the operation of general merchandise stores.

DEFINITIONS

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

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| “2022 Licence Agreement” | the licence agreement dated 25 March 2022 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 maximum aggregate annual value of outgoings under the 2022 Licence 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 |
| “Existing Licence Agreement” | the previous licence agreement entered into between the Company and AEON Stores for the lease of the Premises for one year from 1 April 2021 to 31 March 2022 |

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|-----------------------|---|
| “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 |
| “HKFRS 16” | Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Remaining 2021 Term” | the remaining term of the Existing Licence Agreement of no more than one month as at the date of the 2022 Licence Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises Mr. Tomoharu Fukayama (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director) 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.