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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 MASTER AGREEMENT

The Company and AEON Stores have on 1 February 2023 entered into the 2023 Renewal Agreement to extend the term of the Master Agreement, which will expire on 14 April 2023 for a further term of three years from 15 April 2023 to 14 April 2026.

AEON Stores is a fellow subsidiary of the Company. Accordingly, the 2023 Renewal Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. 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 2023 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 On-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 two announcements of the Company respectively dated 3 April 2020 and 23 April 2020 in relation to the transactions with AEON Stores under the Master Agreement, as well as a further announcement of the Company dated 30 June 2021 in relation to the transactions with AEON Stores under the Card Acquiring Merchant Agreement.

The Company and AEON Stores have on 1 February 2023 entered into the 2023 Renewal Agreement to extend the term of the Master Agreement, which will expire on 14 April 2023 for a further term of three years from 15 April 2023 to 14 April 2026.

2023 RENEWAL AGREEMENT

On 1 February 2023, the Company and AEON Stores entered into the 2023 Renewal Agreement for a term of three years commencing on 15 April 2023 and ending on 14 April 2026. The 2023 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 2023 Renewal Agreement, the Company would receive commissions from AEON Stores in respect of the On-us 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 2023 Renewal Agreement or arising out of the cards or other media or facilities.

The commissions payable to the Company by AEON Stores are calculated on the basis of a fixed percentage of the transaction value of the On-us Commission Transactions. The commission rates in respect of the On-us 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 On-us 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 actual or projected funding and other costs of the Company; (iv) the continuing co-branded partnership with AEON Stores and the commercial benefits of such partnership to the Company; and (v) historical and expected business volume generated from the On-us Commission Transactions. The commission rates agreed between the parties range from 0.42% to 3.2%. The payment terms are 10 days for all On-us Commission Transactions.

In accordance with the 2023 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 arm's-length negotiations, which rates and terms shall be determined on the same basis as disclosed herein.

ON-US CAPS AND AGGREGATION OF ANNUAL CAPS

It is estimated that the maximum aggregate amount of commissions payable by AEON Stores to the Company in respect of the On-us Commission Transactions under the 2023 Renewal Agreement would not exceed the On-us Caps set out below:

<u>Financial Year/Period</u>	<u>On-us Caps</u>
15/4/2023 to 29/2/2024	HK\$ 11,600,000
1/3/2024 to 28/2/2025	HK\$ 12,700,000
1/3/2025 to 28/2/2026	HK\$ 12,700,000
1/3/2026 to 14/4/2026	HK\$ 1,800,000

The total amount of commissions received by the Company from AEON Stores under the Master Agreement for the past period from 15 April 2020 to 28 February 2021 and the year ended 28 February 2022 was approximately HK\$12,200,000 and HK\$12,700,000 respectively. For the year ending 28 February 2023 and the period from 1 March 2023 to 14 April 2023, such amount of commissions is expected to be no more than HK\$11,400,000 and HK\$1,500,000 respectively.

The On-us Caps have been determined with reference to (i) the historical value of the On-us Commission Transactions; and (ii) the expected volume of the On-us Commission Transactions.

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 2023 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 Previous On-us Cap, the On-us Caps, the Off-us Caps and the Aggregate Caps (as applicable) for the four financial years ending 28 February 2027:

	For the financial year ended/ending 28/29 February			
	2024	2025	2026	2027
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Previous On-us Cap	2,800	-	-	-
On-us Caps	11,600	12,700	12,700	1,800 <i>(Note 1)</i>
Off-us Caps	22,500	9,200 <i>(Note 2)</i>	-	-
Aggregate Caps	36,900	21,900	12,700	1,800

Notes:

1. The amount is with respect to the expected On-us Commission Transactions for the period from 1 March 2026 to 14 April 2026.

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

The total amount of commission received by the Company from AEON Stores under the Card Merchant Acquiring Agreement for the year ended 28 February 2022 was approximately HK\$5,400,000. For the year ending 28 February 2023, such amount of commission is expected to be no more than HK\$15,500,000. Accordingly, the amount for the respective transactions under the Master Agreement and the Card Acquiring Merchant Agreement in aggregate for the past three years ending 28 February 2023 should be approximately HK\$13,800,000, HK\$18,100,000 and up to HK\$26,900,000 respectively.

REASONS FOR THE ON-US 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, 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. Notwithstanding that the expected volume of the On-us Commission Transactions is lower than that for the immediate past renewal of the Master Agreement in 2020, it remains in the interest of the Company to continually provide the above facilities and services, whether on their own or side by side with the acquiring services under the Off-us Acquiring Transactions, for the benefit of the business and profitability of the Company.

The Directors, including the independent non-executive Directors, consider that the 2023 Renewal Agreement is entered into in the ordinary and usual course of business of the Company, the terms of 2023 Renewal Agreement are on normal commercial terms, and both the terms of the 2023 Renewal Agreement and the On-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 60.59% owned by AEON Co., Ltd., which in turn is a controlling shareholder of the Company interested in approximately 68.32% of the issued shares of the Company. Accordingly, the 2023 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 On-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.

As none of the Directors has a material interest in the On-us Commission Transactions, no Director has abstained from voting on the Board resolutions approving the On-us Commission Transactions.

DEFINITIONS

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

“2023 Renewal Agreement”	the agreement dated 1 February 2023 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
“Aggregate Caps”	the Previous On-us Cap, the On-us Caps and the Off-us Caps (as applicable) in aggregate for each of the four financial years ending 28 February 2027
“Board”	the board of Directors of the Company
“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 the announcement of the Company of the same date in relation to the same agreement itself
“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
“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
“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 People’s Republic of China
“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 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

“Off-us Acquiring Transactions”	transactions entered and 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 the merchant discount rates for processing payment for 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 Caps”	the annual caps under the Card Merchant Acquiring Agreement
“On-us Caps”	the annual caps under the 2023 Renewal Agreement
“On-us Commission Transactions”	transactions entered and to be entered into between the Company and AEON Stores under the Master Agreement (as most recently renewed by the 2023 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 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
“Previous On-us Cap”	annual cap with respect to transactions between the Company and AEON Stores under the Master Agreement for the period from 1 March 2023 to 14 April 2023 as determined on earlier renewal of the Master Agreement on 3 April 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 1 February 2023

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