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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 TRANSACTIONS
RENEWAL OF MASTER SERVICE AGREEMENT

On 25 February 2022, the Company and AFS Japan entered into the 2022 Master Service Agreement to renew the 2019 Master Service Agreement for the provision of the Services to the Company.

As AFS Japan is a controlling shareholder of the Company, the transactions contemplated under the 2022 Master Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Annual Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the 2022 Master Service Agreement 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 1 March 2019 and 19 October 2020 in relation to the 2019 Master Service Agreement for the provision of the Services to the Company. As the 2019 Master Service Agreement will soon expire on 28 February 2022, the Company and AFS Japan entered into the 2022 Master Service Agreement.

2022 MASTER SERVICE AGREEMENT

Date

25 February 2022

Parties

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

Services

Pursuant to the 2022 Master Service Agreement, AFS Japan shall provide the Services to the Company as the Company may request from time to time.

The actual scope of the Services to be rendered, the service duration, the deliverable items, the personnel requirement for rendering the Services, the service fees and other terms and conditions relating to the covered Services shall be provided in the Statements of Works, which have to be executed prior to the provision of the Services concerned.

Subcontractor

ACSS will be engaged by AFS Japan as the subcontractor for delivering the Services to the Company. This subcontracting arrangement, nonetheless, shall not in any way exonerate AFS Japan from any duty or liability to fulfill AFS's own obligations under or in connection with the 2022 Master Service Agreement.

AFS Japan shall agree with the Company the number and respective positions of dedicated personnel of ACSS for delivering the Services under each Statement of Work to be specified therein. Any subsequent change in the number or respective positions of such dedicated personnel shall be made with mutual consent of both the Company and AFS Japan in writing.

Term

The 2022 Master Service Agreement is for a fixed term of three years commencing on 1 March 2022 and ending on 28 February 2025, subject to termination by either party giving not less than six months' prior written notice and subject to renewal on such terms and conditions as the parties may mutually agree.

Consideration and payment terms

The service fees payable to AFS Japan have been determined between the parties after arm's length negotiations with reference to the number and respective positions of ACSS' personnel assigned to perform the Services, as well as the service duration, under each subsisting Statement of Work. The Monthly Fee Rates are based on the cost as to be incurred by AFS Japan and/ or ACSS with respect to ACSS' personnel to be assigned for delivering the Services, and are competitive when compared with the rates charged or quoted by other comparable service providers.

The Monthly Fee Rates are subject to possible annual upward adjustment from the immediate past year at the percentage of average actual salary increase for the Philippines for a year, if any, as stated in the latest WTW Salary Survey Report as available one month before each Anniversary Date.

The service fees shall be payable to AFS Japan within 30 days after receipt of an invoice issued by AFS Japan.

ANNUAL CAPS

It is estimated that the maximum aggregate amount of service fees payable by the Company to AFS Japan under the 2022 Master Service Agreement would not exceed the Annual Caps set out below:

<u>Financial Year</u>	<u>Annual Caps</u>
1/3/2022 to 28/2/2023	HK\$ 9,000,000
1/3/2023 to 29/2/2024	HK\$ 9,000,000
1/3/2024 to 28/2/2025	HK\$ 7,000,000

The historical transaction amounts paid by the Company to AFS Japan or ACSS under the 2019 Master Service Agreement were approximately HK\$11,078,000, HK\$6,557,000 and HK\$5,790,000 respectively for each of the three years ending 28 February 2022.

The Annual Caps have been determined with reference to the historical transaction amounts, the projected scope of Services to be provided under the 2022 Master Service Agreement, the estimated number and respective positions of ACSS' personnel and the service duration required to provide the Services, with reference to the corresponding Monthly Fee Rates.

REASONS FOR AND BENEFITS OF THE 2022 MASTER SERVICE AGREEMENT

ACSS is a subsidiary of AFS Japan and a fellow subsidiary of the Company. Through being a party or the subcontractor under the 2019 Master Service Agreement and other earlier agreements related to the Services to which the Company is also a party, ACSS has gained in-depth knowledge and understanding of the business of the Company, as well as hands-on experience with its systems. Such knowledge, understanding and experience would facilitate faster and tailored response to meet the Company's information and communication system integration, enhancement and maintenance needs. ACSS is also able to maintain a stable supply of qualified IT personnel as the Company may require for its systems. AFS Japan can effectively manage the quality of the Services to be delivered by ACSS and its consistency under the 2022 Master Service Agreement, whether to the Company as an individual entity or a member of the wider AFS Japan Group.

The Directors, including the Independent Non-executive Directors, consider that the 2022 Master Service Agreement is entered into in the ordinary and usual course of business of the Company, the terms of the 2022 Master Service Agreement are on normal commercial terms, and both the terms of the 2022 Master Service 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

As AFS Japan is a controlling shareholder of the Company indirectly interested in approximately 52.86% of the issued shares of the Company, AFS Japan is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 2022 Master Service Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Annual Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the 2022 Master Service Agreement 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.

None of the Directors has a material interest in the transactions contemplated under the 2022 Master Service Agreement, save for Mr. Tomoyuki Mitsufuji who is a director of AFS Japan. Accordingly, Mr. Tomoyuki Mitsufuji has abstained from voting on the Board resolutions approving the 2022 Master Service 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.

AFS Japan is an investment holding company, with subsidiaries being a bank holding company or otherwise conducting banking business, credit card business and/ or other related or ancillary businesses. Formerly known as AEON Credit Service Co., Ltd., AFS Japan has extensive know-how and expertise in the consumer finance industry.

ACSS is principally engaged in the provision of information and communication technology services to the AFS Japan Group.

DEFINITIONS

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

“2019 Master Service Agreement”	the master service agreement dated 1 March 2019 entered into between the Company and ACSS, to which AFS Japan was subsequently a party in place of ACSS on the Novation
“2022 Master Service Agreement”	the master service agreement dated 25 February 2022 entered into between the Company and AFS Japan, major terms of which are set out in this announcement
“ACSS”	AEON Credit Service Systems (Philippines) Inc., a company incorporated in the Philippines 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.
“AFS Japan Group”	AFS Japan and its overseas subsidiaries, including the Company

“Anniversary Date”	an anniversary date of the 2022 Master Service Agreement falling on 1 March 2023 or 1 March 2024
“Annual Caps”	the annual caps under the 2022 Master Service 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
“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
“IT”	information technology
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Monthly Fee Rates”	respective monthly fee rates of ACSS’ personnel at different positions as provided in the 2022 Master Service Agreement
“Novation”	the novation of the 2019 Master Service Agreement under the Novation Agreement
“Novation Agreement”	the novation agreement dated 19 October 2020 entered into between the Company, ACSS and AFS Japan, pursuant to which ACSS transferred and AFS assumed all of ACSS’s rights and obligations under the 2019 Master Service Agreement with effect from 1 November 2020
“Services”	IT system development and maintenance/ support services including but not limited to computer software development services, technical consultation services, system implementation services, system integration services, maintenance and support services, and other IT-related services as may be requested by the Company from time to time
“Statement(s) of Work”	statement(s) of work to be entered into by the Company and AFS Japan under the 2022 Master Service Agreement, which together shall form an integral part of the 2022 Master Service Agreement upon execution

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Willis Towers Watson”	Willis Towers Watson PLC, a public limited company with multinational presence that engages in provision of human resources and other advisory services, the shares of which are listed on the Nasdaq Stock Market
“WTW Salary Survey Report”	publication entitled ‘Salary Budget Planning Survey Report - Asia Pacific’ as published by Willis Towers Watson from time to time

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 25 February 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.