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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 BUSINESS ADVISORY SERVICE AGREEMENT**

Reference is made to the announcement of the Company dated 1 March 2021 in relation to the provision of the Services to the Group under the Business Advisory Service Agreement.

On 1 March 2022, the Company and AFS HK entered into the 2022 Renewal Agreement pursuant to which AFS HK, with the support from AFS Japan, shall continue to provide the Services to the Group for a further term of one year from 1 March 2022 to 28 February 2023.

As AFS HK is a controlling shareholder of the Company, AFS HK is a connected person of the Company. Accordingly, the 2022 Renewal Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As each of the applicable percentage ratios for the Annual Cap exceeds 0.1% but is less than 5%, the 2022 Renewal Agreement is 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 1 March 2021 in relation to the provision of the Services to the Group under the Business Advisory Service Agreement.

As the Business Advisory Service Agreement expired on 28 February 2022, the Company and AFS HK have on 1 March 2022 entered into the 2022 Renewal Agreement to extend the term of the Business Advisory Service Agreement for further one year.

THE 2022 RENEWAL AGREEMENT

Date

1 March 2022

Parties

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

Services

AFS HK, with the support from AFS Japan, shall provide to the Group consultation and advisory services with special reference to the consumer finance industry, including but not limited to general as well as case-specific advice and guidance on business strategies, marketing strategies, Group structure strategies, funding arrangements, risk management, operational audit and investment opportunities.

Term

The 2022 Renewal Agreement is for a term of one year from 1 March 2022 to 28 February 2023. Upon written notice by either of the Company or AFS HK to the other party no later than one month before the expiry of the 2022 Renewal Agreement, the 2022 Renewal Agreement may be renewed on such terms and conditions as the Company and AFS HK may mutually agree.

Consideration and payment terms

Pursuant to the 2022 Renewal Agreement, the Company shall pay an advisory fee to AFS HK that was determined between the parties after arm's length negotiations with reference to the operating expenses to be incurred by the relevant departments, including those responsible for control and corporate planning and investor relations, innovation planning and stores system research, international business planning and international business administration, accounting and finance and credit planning, general affairs and human resources, system planning and management, legal and compliance and risk management, and audit of AFS HK and/ or AFS Japan in providing the Services to the Group for the year ending 28 February 2023, particularly such Services in connection with risk assessment and incident management capability enhancement, ongoing accounting model validation and refinement, and a new payment service project to be undertaken by the Company within the same year.

The advisory fee incorporated a mark-up of 5% to take into account the OECD transfer pricing guidelines.

Payment of the advisory fee shall be made on a monthly basis after receipt of an invoice issued by AFS HK.

ANNUAL CAP

The maximum annual aggregate transaction amount payable under the 2022 Renewal Agreement is estimated to be HK\$13,700,000 (the “**Annual Cap**”) for the year ending 28 February 2023.

The annual aggregate transaction amounts paid by the Company to AFS HK under the Business Advisory Service Agreement were approximately HK\$13,267,000, HK\$12,491,000 and HK\$14,010,000 respectively for the three years ended 28 February 2022.

The Annual Cap has been determined with reference to (i) the historical transaction amounts; and (ii) the estimated operating expenses to be incurred by the relevant departments of AFS HK and/or AFS Japan in providing the Services for the year ending 28 February 2023.

REASONS FOR THE TRANSACTION

The Board believes that the Services, which are tailored to the unique requirements and circumstances of the Group, would continue to enable the Group to benefit from the expertise and experience of AFS HK and AFS Japan in the consumer finance industry. Through the Services, the Group is expecting to focus on strategically strengthening its internal governance, operational and economic efficiency, as well as innovation capabilities, to more readily take up emerging business opportunities arising from rapidly evolving market conditions. Independent third parties with comparable expertise and/ or experience in the consumer finance industry may not be available to provide the Services to the Group.

The Directors, including the Independent Non-executive Directors, consider that the 2022 Renewal Agreement is entered into in the ordinary and usual course of business of the Company, the terms of the 2022 Renewal Agreement are on normal commercial terms, and both the terms of the 2022 Renewal Agreement and the Annual Cap are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

AFS HK is a controlling shareholder of the Company interested in approximately 52.86% of the issued shares of the Company. AFS HK is a wholly-owned subsidiary of AFS Japan. AFS HK is therefore a connected person of the Company and the 2022 Renewal Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for the Annual Cap exceeds 0.1% but is less than 5%, the 2022 Renewal Agreement is 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 Renewal Agreement, save for Mr. Tomoyuki Mitsufuji who is a director of AFS Japan and Mr. Tomoharu Fukayama who is a director of AFS HK. Accordingly, Mr. Tomoyuki Mitsufuji and Mr. Tomoharu Fukayama have abstained from voting on the Board resolutions approving the 2022 Renewal Agreement.

GENERAL

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 HK is an investment holding company.

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.

DEFINITIONS

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

“2022 Renewal Agreement”	the business advisory service agreement dated 1 March 2022 entered into between the Company and AFS HK, major terms of which are set out in this announcement
“AFS HK”	AEON Financial Service (Hong Kong) Co., Limited, a company incorporated in Hong Kong 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.
“Business Advisory Service Agreement”	the business advisory service agreement dated 27 April 2015 entered into between the Company and AFS HK, as renewed by six renewal agreements respectively dated 1 March 2016, 1 March 2017, 1 March 2018, 1 March 2019, 28 February 2020 and 1 March 2021
“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
“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
“OECD”	Organisation for Economic Co-operation and Development
“Services”	consultation and advisory services with special reference to the consumer finance industry, including but not limited to general as well as case-specific advice and guidance on business strategies, marketing strategies, Group structure strategies, funding arrangements, risk management, operational audit and investment opportunities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 1 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.