

Chairman's Statement



Yoshiaki MORI
Chairman

Last year was a tough year for AEON Credit Service (Asia) Company Limited. The slow down in the economy together with the rising unemployment rate and escalating number of personal bankruptcies had resulted in a drastic increase in the level of bad debt. Despite the difficult operating environment, I am glad to report that the Company recorded an increase in net profit to HK\$211.0 million. On behalf of the Company, I would like to express our sincere appreciation to our customers and shareholders for their confidence in and support to the Company.

The Company is a member of the *AEON* Group and a subsidiary of *AEON* Credit Service Co., Ltd. ("*AEON* Credit Japan"), which is listed on the main section of the Tokyo Stock Exchange. *AEON* Credit Japan is dedicated in providing added-value financial services according to the lifestyle needs of individual customers. The goal is to enhance the lifestyles of customers by realizing the full potential of their futures and creditability. The support, loyalty and confidence of customers have enabled *AEON* Credit Japan to achieve steady expansion, with 1 million new cards being issued in this financial year. The service based on the "customer-first" principle is symbolized by an excellent cash dispensing machine network. Including associated cash dispensing machines, *AEON* Credit Japan now built up a cash advance network encompassing more than 123,000 cash dispensing machines ("CDs") in Japan. This is one of the biggest cash dispensing machine network in the country.

The core activities of *AEON* Credit Japan are credit card and personal loan business. At the same time, through its subsidiaries, *AEON* Credit Japan is involved in a variety of financial service activities, including loan management and recovery. Other activities include call center operation, which involves tele-marketing and handling customer requests and enquiries. Through its insurance agency business, *AEON* Credit Japan handles a variety of insurance products, including vehicle insurance, travel insurance and sports insurance. *AEON* Credit Japan also provides travel agency business, posting services and card processing services through its branch and overseas network, including the *AEON* World Desk.

On social contribution and environmental protection activities, *AEON* Credit Japan fulfils its corporate citizenship mission at all levels, from participating in charitable activities in local communities to environmental conservation movements based on a worldwide viewpoint. *AEON* Credit Japan carries out unique charity initiatives with the support of its cardholders. On a global basis, *AEON* Group members support environmental conservation, international cultural and personal exchanges, and the development of regional culture and communities through the *AEON* 1% Club.

For the year under review, the Company has followed the Group policy in providing high quality and convenient service to the customers at low cost operation. The Company launched *AEON*-CASH and *AEON*-CARD, 30-minutes approval personal loan and card products, and used its call

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center in Hong Kong to provide 24 hours service to deliver speedy and convenient service to the customers. In September and December, the Company made use of the Customer Relationship Management (CRM) to market the newly launched AEON Visa Card and Hologram AEON Hello Kitty MasterCard to its inactive and sleeping customer data-base. As a result, cost-to-income ratio continued to improve despite the offering of various services and products in the market.

The Company actively participated in environmental protection activities through the Home Environmental Ambassador Project and the Eco Living Club organized by AEON Jusco Education and Environment Fund Limited. Moreover, the Company also supported the development in education and environmental protection in the People's Republic of China through the set up of education funds and the participation in agro-forestry projects.

Currently, the credit card industry in Hong Kong is in the period of high default risk and mega-competition with the increase in personal bankruptcies and the entry of new players. Moreover, the business environment is also undergoing great changes through the rapid development in information technologies, especially the Internet. We see our expertise and the dynamic development in the consumer finance business as the key to our continuing evolution as a trusted partner in the community. Our aim is to enhance the corporate value for our customers and the local community. The Company will continue to develop new lines of business while maintaining our commitment to "customer first" philosophy. With regard to social contribution, we will continue to be a good corporate citizen of Hong Kong and participate actively in the community activities and support local causes. I sincerely look forward to the support and participation from all shareholders, business partners and customers in helping us to uphold our duty as a good corporate citizen in the years to come.

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Yoshiki MORI
Chairman

Hong Kong, 25th April 2002