

# Chairman's Statement

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**Yoshiaki MORI**  
*Chairman*

The operating environment in Hong Kong was tough last year, with unemployment rate reaching a high level of over 7% and a significant drop in the property prices as well as deflation in asset value. Weak loan demands and pressure on margins have continued to affect the financial sector. Under such a difficult operating and challenging environment, AEON Credit Service (Asia) Company Limited (the “Company”) recorded a decline in net profit for the first time to HK\$117.3 million, representing a drop of 44.4% when compared with last year.

## **The Group's Philosophy**

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. Guided by the corporate philosophy of “Customer First”, AEON Credit Japan is dedicated to providing value-added financial services according to the lifestyle needs of individual customers. Looking back over the past twenty years, AEON Credit Japan had pursued a path of positive business expansion, posting a record of rapid continuous growth in both domestic and overseas markets. The support, loyalty and confidence of customers have enabled AEON Credit Japan to achieve an increase of 1.5 million cardholders in this financial year. Moreover, the set up of an Integrated Operation Centre in Japan has enabled AEON Credit Japan to put in place an infrastructure to cope with the expanded scale of operations and promote a low cost operating structure.

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 also involved in other financial service activities, including loan management and recovery. 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 services, posting services and card processing services through the AEON World Desk.

To fulfill its mission as a good corporate citizen, AEON Credit Japan engages in a broad spectrum of social activities, ranging from volunteer activities in the regional community to challenging environmental problems from a worldwide perspective. Within Japan, AEON Credit Japan carries its unique charity initiatives with the support of its cardholders. On a global basis, AEON Group members support environmental conservation, international cultural and personal exchanges through the AEON 1% Club.

## **The Company's Performance**

For the year under review, the Company followed the group policy in providing high quality and convenient service to the customers at low cost operation. On credit card business, the Company had successfully increased the card usage by having Jusco Stores (Hong Kong) Co., Limited extending the benefits of Jusco credit cards to AEON credit card members. On the credit judgment

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side, judgment accuracy had improved with the introduction of the auto-judgment system which had standardized the whole approval process and at the same time sped up the processing time. With the Shenzhen call centre taking up a more active role in tele-marketing, customer service and collection activities, the Company's back-office operational efficiency had improved resulting in the reduction of back-office operating cost. As a result, cost-to-income ratio continued to show an improvement in this financial year.

The Company continued to participate actively in environmental protection activities through the Home Environmental Ambassador Project and the Eco Living Club organized by AEON Jusco Education and Environment Fund Limited (the "AEON Jusco Fund"). 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 and research funds and the participation in agro-forestry projects.

## **Outlook**

With the unstable political situation in the Middle East, the outbreak of atypical pneumonia in Hong Kong coupled with the increase in tax rates and the launching of positive credit data sharing in the second half, Year 2003 is expected to remain a tough operating year for consumer finance business in Hong Kong. Guided by the corporate philosophy of "Customer First", the Company will continue to provide a supportive response to the needs of individual customers, and to improve its services steadily by always listening to customers. The Company understands its responsibilities and the importance of providing good returns to its shareholders. With regard to social contribution, the Company will continue to be a good corporate citizen of Hong Kong and participate actively in the community activities and support local causes.

## **Acknowledgement**

I would like to take this opportunity to express my appreciation to the Board of Directors and all staff for their dedication and hard work and to our loyal customers for their invaluable support and to the shareholders for their confidence in and support to the Company.

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**Yoshiki MORI**  
*Chairman*

Hong Kong, 25th April 2003