

Chairman's Statement



Yoshiaki MORI
Chairman

Looking back this year, there were many unfortunate happenings, including the Iraq conflict and the outbreak of SARS, which led to a stagnant economic situation at the beginning of the year. For Hong Kong consumer finance industry, although there were signs of economic recovery in the second half, the unemployment problem still affected the sentiment of the market. Despite such a difficult and challenging operating environment, AEON Credit Service (Asia) Company Limited (the "Company") continued to generate new receivables. With the implementation of positive credit data sharing in Hong Kong, the Company launched a series of affinity cards and utilised its expanded merchant network to recruit new members. I am pleased to report that the Company recorded a net profit of HK\$119.4 million, an increase of 1.8% 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 Service"), which is listed on the main section of the Tokyo Stock Exchange. In Japan and Asia, AEON Credit Service operates in conformance with the business philosophy of "Customer First" as a lifestyle support company that enables customers to realise the full potential of their futures with credit. AEON Credit Service is determined to listen to the customers and will continue to repay their trust and expectations by providing financial services that bear closely with their daily livings. At the same time, AEON Credit Service seeks strong customer support by ceaselessly cultivating and refining the standard of corporate behaviour in the financial services industry, prizing corporate ethics, and enthusiastically engaging in the social action initiatives. The support, loyalty and confidence of customers have enabled AEON Credit Service to achieve an increase of 1.5 million cardholders in Japan in this financial year.

The core activities of AEON Credit Service are credit card and personal loan business. At the same time, through its subsidiaries, AEON Credit Service is also involved in other financial service activities, including loan management, loan recovery and insurance agency business. AEON Credit Service aims to be a leading company in Asia's credit markets by continuing to develop and grow the business of overseas subsidiaries and by entering new markets. Besides Hong Kong, AEON Credit Service has overseas operations in Thailand, Malaysia, Taiwan and the People's Republic of China (the "PRC").

To fulfill its duties as a good corporate citizen, AEON Credit Service engages in social contribution activities that range from volunteer activities tied to local communities to global environmental protection initiatives. AEON Credit Service has actively engaged in environmental protection activities over the years, including the issuing of various charity cards, support for forest conservation and the use of uniforms made of recycled polyester fiber material. On a global basis, AEON Group members support environmental conservation, international cultural and personal exchanges, regional cultural activities, and other causes through the AEON 1% Club.

The Company's Performance

For the year under review, the Company extended its cardholder penetration by focusing on recruiting new members through its affinity card merchant network. On credit purchase, the Company had successfully increased card usage by encouraging recurring transactions through the introduction of Octopus add-value service and the launch of different promotion campaigns. The

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introduction of purpose loan concept to our merchants also marks a new milestone in loan product development. On advertising, we are pleased to receive two Asia-Pacific awards from MasterCard International, indicating the success of our marketing ideas which attract public attention. Following the launch of positive credit data sharing in the market, we are now able to know the credit exposure of applicants, which significantly improves our judgment accuracy. Moreover, the Company has successfully transformed its branches into marketing centres and this has strengthened its marketing force in expanding the merchant network and recruiting new members.

With the view to grasp the opportunity for the open up of consumer finance industry in the PRC in the near future, our Shenzhen call centre has taken an active role in tele-marketing, customer service and collection activities and also offers outsourcing services to third parties. We believe this will provide our staff in the PRC with a good understanding of the consumer finance operation and will facilitate our future development there.

To support the charitable activities in the community, the Company continues to actively promote environmental protection through AEON Education and Environment Fund ("AEON Fund") by organising Home Environmental Ambassadors Selection and School Environmental Home Exhibition Programmes. Moreover, the Company also supported projects on the development in education and environment protection in the PRC through the support to the green campus, the tree planting, the scholarship and the research programmes.

Outlook

Turning to 2004, we have already seen growth in consumer spending and borrowing. The open up of more job opportunities and pick up in the property markets have changed the consumer spending behaviour and increased the demand for consumer loans. In light of the gradual recovery in the Hong Kong economy, the declining trend of personal bankruptcies and the availability of positive credit data of customers, the Company will utilise its merchant network and undertake an aggressive marketing strategy to grow its core business. Guided by the corporate philosophy of "Customer First", the Company will continue to provide value-added financial services and bring broader convenience to customers. Moreover, the Company will 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, we will continue to participate actively in environment protection activities through AEON Fund and also will support other community activities and local causes.

Acknowledgement

I wish to take this opportunity to extend my sincere gratitude to our customers, business partners and shareholders for their enormous support, and express my heartfelt thanks to the dedication and hard work of our staff.

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Yoshiki MORI
Chairman

Hong Kong, 14th April 2004