



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

2003 was definitely a challenging year for the global economy. From the war in Iraq and Severe Acute Respiratory Syndrome epidemic at the beginning of the year to avian flu towards the end, these events exercised a certain influence on the retail industry. There was pressure on the global consumer market as consumers were reluctant to spend. However, the economy in the second half of the year improved significantly as the cloud of economic uncertainties dispersed. The relaxation of travel restrictions to mainland travellers and the launch of Closer Economic Partnership Arrangement benefited the overall economy of Hong Kong, arousing the appetite of consumers. Building on the diversity of merchandise and our commitment to providing a pleasant and high quality shopping environment for our customers, together with our sound cost control measures in expenses, we have achieved satisfactory results under the difficult and volatile operating environment.



Toshiji TOKIWA,
Chairman

During the year, the JUSCO Stores (Hong Kong) Co., Limited changed its English and Chinese names to "AEON Stores (Hong Kong) Co., Limited" (the "Company") and "永旺(香港)百貨有限公司" respectively in July 2003. The change of the Company's names is to keep in unison with AEON Co., Ltd. ("AEON") in Japan to further enhance its unique image as a global enterprise and highlight the immediately recognisable corporate relationship with AEON. This also allows the Company to pursue and create group synergies with AEON by sharing its best practices, expertise and numerous successes.

In 2003, annual consolidated sales turnover of AEON recorded ¥3,546 billion and became the top company in the Japanese retail industry.

Over the years, AEON has been whole-heartedly pursuing the vision of "becoming one of the top 10 retail groups in the world". To realise this vision, AEON worked hard to achieve "GLOCAL" (Globalisation and Localisation), which AEON considers to be the best way to enhance the competitiveness of its enterprise. AEON understands that to win in the increasingly competitive environment, it must pursue and realise the global standard on the one hand and pay careful attention to our merchandise assortment to adapt regional markets, on the other. AEON achieves localisation through adapting local cultures and satisfying local customers' needs by providing appropriate merchandise and high-standard services.

To achieve this end, we have a series of measures to drive the growth for AEON's business. As the General Merchandise Stores ("GMS") has been one of our major sources of profit, more resources will be put into this part of the business. This includes the renovation of stores and diversification of sales. In the meantime, we will further upgrade customer service through professional training and providing updated product knowledge for staff members and, in turn, enhance our competitiveness.

CHAIRMAN'S STATEMENT

The South China region is believed to have great market potential and it is included in AEON's future development plan. The Company takes up the responsibility of AEON's business expansion in the Pearl River Delta. To further expand its market share, the Company will continue to strengthen its presence by establishing new stores. We are fortunate to have the benefit of geographical proximity and operational expertise in the region. Hong Kong will continue to serve as a development base and resourceful supply of professionals for China projects.

Apart from its successful GMS business, the Company is working on the feasibility study of new business models in South China. We are actively contemplating this move and will capture this enormous business potential once the time is ripe.

Internally, the Company and its subsidiaries will reform the supply chain process to enhance merchandising capabilities. As a result, stock keeping and related costs will then be minimised and become more responsive to customers' needs.

Moreover, we launched "The AEON Code of Conduct", putting more emphasis on customer services and taking our customers' comments. We promptly respond to their needs and concerns. We take pride in our ability to constantly exceed our customers' expectations. Indeed, we live up to our credo "Everything we do, we do for our customers".

The renaming of the Company symbolises the rebirth of its operations and developments in Hong Kong and South China. We will continue to provide diversified quality merchandises and services for our customers.



Toshiji TOKIWA

Chairman

Hong Kong, 14 May 2004