

Chairman's Statement



Yoshiki MORI
Chairman

In the past one year, positive external economic factors and supportive Central Government's policies towards Hong Kong facilitated the steady recovery of the economy. Employment and consumer spending resumed growth as the business and investment environment continued to improve. Nevertheless, competition for consumer loans intensified further amongst market players as financial institutions looked for lending opportunities with higher interest margin. Despite such a competitive and challenging operating environment, AEON Credit Service (Asia) Company Limited (the "Company") continued to expand its market segment and generate new receivables. With the joining as JCB and China UnionPay members, the Company can now issue credit cards under the five popular brands in the market. I am pleased to report that the Company recorded a net profit of HK\$146.3 million, an increase of 22.6% 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, the management philosophy is to support customers' lifestyles and enable individuals to maximize future opportunities through effective use of 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 and prizing corporate ethics. AEON Credit Service always follows the belief that customers are the starting point for management decisions. The operations are dedicated to the pursuit of peace through prosperity and making a continuing contribution to the community. The aim is to let its customers, local communities, suppliers and business partners understand our belief and management philosophy and establish a stronger and trustworthy relationship. The support, loyalty and confidence of customers have enabled AEON Credit Service to achieve an increase of 0.8 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 and offices in Thailand, Malaysia, Indonesia, Taiwan and the People's Republic of China (the "PRC").

Chairman's Statement

To fulfill its duties as a good corporate citizen, **AEON** Credit Service engages in a wide range of social contribution activities, from volunteer services at the local level, to global environmental protection work. Our belief is “To contribute to the local community” and make the local people live a happy life. **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 moved aggressively in the market to expand its customer base and increase its loan portfolio. With the extensive merchant network, the Company organised various promotion activities to recruit new members and at the same time to increase the card usage. To provide convenient service to our customers, the Company extended its ATM network to West Rail in Hong Kong and to the Guangdong Province in the PRC through joining the China UnionPay ATM network. Moreover, the Company incorporated Octopus reloading function in the newly launched ATMs as one of its customer retention activities. The granting of membership licence by JCB and China UnionPay is another breakthrough for our credit card business. The Company is now the only company in Hong Kong which can issue the five popular brands of credit cards in the market. This offers flexibility in issuing credit cards to different customer segments. In view of the strong demand for consumer loans, the Company launched new loan programs and used its branch and merchant network to cross-sell different loan products.

With the view to grasp the opportunity to enter the consumer finance market in the PRC in the near future, **AEON** Information Service (Shenzhen) Co., Ltd. has set up a branch in Guangzhou in October 2004. The branch focuses on planning and preparation work to build a business alliance network to launch hire purchase products. The call center in Shenzhen has taken an active role in telemarketing, customer service and collection activities and this provides the foundation for our future consumer finance operation in the PRC.

To contribute to the local community, the Company made donations to different charitable organisations and organised staff to participate in the tsunami disaster relief program. Moreover, through **AEON** Education and Environment Fund Limited (“**AEON** Fund”), the Company has been actively promoting the concept of environmental protection in Hong Kong and the PRC. The Fund has committed a three years' sponsorship for the Hong Kong Tree Planting Day and also sponsored the production of a youth television program on environment and life education. In the PRC, the Company has also been engaging in activities that benefit the society, including the tree planting at the Great Wall and the sponsorship to Tsinghua University for education and research.

Chairman's Statement

Outlook

The year ahead will be a challenging year for consumer finance business. We have already seen growth in consumer spending and borrowing. With the expected increase in job and investment opportunities in the market, the demand for consumer loans will continue to increase. On the other hand, interest rates are expected to move up and competition is expected to intensify following the open up of positive credit data for review assessment by the market players.

In light of the declining trend of personal bankruptcies and the drop in the unemployment rate of our market segment, the Company will utilise its branch and merchant network and undertake a more aggressive marketing strategy to grow its core business. Notwithstanding this, the Company will continue to exercise a tight control on operating expenses and maintain a tight control on loan assessments and approvals.

Guided by the corporate philosophy of "Customer First", the Company will continue to provide value-added and convenient financial services to customers and improve its service quality. 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 and also will support other community activities and local causes.

Acknowledgement

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

森 美 樹

Yoshiki MORI
Chairman

Hong Kong, 26th April 2005