



Chairman's Statement

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2006 was a particularly auspicious year for us. Spurred by positive sentiment in the regional markets, particularly the vigour of China and Hong Kong, AEON Stores successfully rode the wave of consumer confidence that followed - raising the Group's stature immeasurably.



This solid performance is especially gratifying as we realise the most meaningful milestone thus far: the 20th anniversary of AEON Stores' operation in Hong Kong. Indeed, the progress made in the year that was offers a stark reminder of the startling transformation that the Group has undergone since its formative years. Originally operating a single store in the territory with a workforce of 200, the Group presently employs over 4,000 and has 30 outlets spanning across Hong Kong and southern China, making AEON Stores an intimate and inseparable part of many people's lives.

Entering the sector solely as an operator of General Merchandise Stores ("GMS"), we have since broadened our business model and indeed our horizons through an ongoing and meticulous review of the complex environment in which we operate. Accordingly, the Group currently includes the JUSCO \$10 Plaza and JUSCO Supermarket as intrinsic elements of its Hong Kong operations. What looks certain to be another milestone for the Group is the AEON Shunde Shopping Centre which was opened in January 2007, located in Guangdong Province. This latest initiative underlines our capacity for seamlessly adapting to regional market demands, and succeeding. Operating a shopping

centre that is tenanted not only by a GMS but also a diverse range of fashionable shops, the AEON Shunde Shopping Centre is truly an integral element of the city, if not its very heart. Consequently, we are bullish that such an extensive business infrastructure project will pave the way for our further penetration in the country. As of the latest results, annual revenue was about HK\$4.3 billion and this growth looks set to continue.

While highly motivated to capture opportunities in China, we have not reneged on our "Everything we do, we do for our customers" commitment. Remaining firmly entrenched in all our business pursuits, this philosophy is evident in the quality merchandise and services that we provide and extend to the warm shopping atmosphere that is synonymous with AEON Stores. Accordingly, as we seek to expand our scope of business still further, the Group will continue to abide by its pledge as it welcomes clients from diverse demographic backgrounds to the fold. Hence, such factors as regional preferences and consumption patterns are the very matrices from which specialised customer-centric strategies will arise and evolve. Consistent with this, all our staff members have continued to embrace the "AEON Code of Conduct" which ensures the delivery of

Chairman's Statement (Continued)

excellent services and prompt response to customers' needs. Having already established a solid reputation, sound branding, full breadth of merchandise and exceptional services, we are confident of our ability to chart a prosperous course forward.

Enthused by two decades of balanced growth, we will continue to explore and capture fresh business opportunities. Based on this mandate, we will channel still greater energies and resources on expanding our network across southern China; introducing well proven business models that include the GMS, JUSCO \$10 Plaza, JUSCO Supermarket and AEON Shopping Centre, thus fully capitalising on the country's burgeoning retail market. Ahead of such objectives, I, on behalf of the Board of Directors, would like to extend my sincerest gratitude to our dynamic and resourceful workforce whom through their professionalism and diligence has helped AEON Stores achieve steady progress over the year, and undoubtedly in the years to come. I would like to also thank my fellow board members for their invaluable advice, guidance and commitment. Through their unwavering drive for perfection, the objectives that we have envisaged will unquestionably be realised. As always, the Group will work as a cohesive force, committed to elevating AEON Stores to new heights and delivering greater returns for our shareholders.



TOKIWA Toshiji
Chairman

Hong Kong, 3 April 2007