

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 28 February 2001

15. INVESTMENT SECURITIES

	THE GROUP AND THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Equity securities:		
Listed shares in Hong Kong, at cost	2,196	2,196
Debt securities:		
Unlisted club debenture, at cost	1,740	1,740
	3,936	3,936
Market value of listed securities	9,933	8,944

The listed securities detailed above represent an investment in a fellow subsidiary.

16. TRADE RECEIVABLES

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within due dates	2,490	429
Overdue under 30 days	987	4,265
Overdue over 30 days	1,444	1,119
	4,921	5,813

17. AMOUNT DUE FROM A FELLOW SUBSIDIARY

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

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18. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within due dates	438,154	415,218
Overdue under 30 days	10,328	12,811
Overdue over 30 days	26,430	18,803
	474,912	446,832

19. AMOUNT DUE TO A FELLOW SUBSIDIARY

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

20. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

21. SHARE CAPITAL

	Authorised	Issued and
	2001 & 2000 HK\$'000	fully paid 2001 & 2000 HK\$'000
Ordinary shares of HK\$0.20 each	70,000	52,000

There were no movements in the share capital of the Company for both years.

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22. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	PRC statutory reserves HK\$'000	Total HK\$'000
THE GROUP					
At 1 March 1999	63,158	175	129,920	—	193,253
Realised on dilution of interest in a subsidiary	—	(32)	—	—	(32)
Profit for the year	—	—	32,516	—	32,516
Dividend	—	—	(10,400)	—	(10,400)
At 29 February 2000	63,158	143	152,036	—	215,337
Exchange differences arising on translation of overseas operations	—	(731)	—	—	(731)
Profit for the year	—	—	92,236	—	92,236
Transfer, net of minority interest's share	—	—	(705)	705	—
Dividends	—	—	(36,400)	—	(36,400)
At 28 February 2001	63,158	(588)	207,167	705	270,442
THE COMPANY					
At 1 March 1999	63,158	—	158,182	—	221,340
Profit for the year	—	—	3,159	—	3,159
Dividend	—	—	(10,400)	—	(10,400)
At 29 February 2000	63,158	—	150,941	—	214,099
Profit for the year	—	—	78,872	—	78,872
Dividends	—	—	(36,400)	—	(36,400)
At 28 February 2001	63,158	—	193,413	—	256,571

The Company's reserves available for distribution to shareholders as at 28 February 2001 represented the retained profits of HK\$193,413,000 (2000: HK\$150,941,000).

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the subsidiary of the Company.

23. DEFERRED TAXATION

	THE GROUP AND THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	9,700	9,700
Credit for the year (note 9)	(9,700)	—
Balance at end of the year	—	9,700

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23. DEFERRED TAXATION (continued)

At the balance sheet date, the major components of deferred taxation (assets) liabilities, provided and unprovided, were as follows:

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over accounting depreciation	—	9,700	(1,314)	10,606
Other timing differences	—	—	(4,610)	1,491
Net deferred taxation (assets) liabilities	—	9,700	(5,924)	12,097

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE COMPANY				
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over accounting depreciation	—	9,700	(1,314)	10,606
Other timing differences	—	—	(2,056)	1,491
Net deferred taxation (assets) liabilities	—	9,700	(3,370)	12,097

The amount of the unprovided deferred taxation (credit) charge for the year is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Difference between tax allowances and accounting depreciation	(11,920)	(2,079)	(11,920)	(2,079)
Tax losses	—	7,573	—	831
Other timing differences	(6,101)	956	(3,547)	956
	(18,021)	6,450	(15,467)	(292)

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24. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit from ordinary activities before taxation	101,502	49,590
Interest income	(4,844)	(1,339)
Interest expense on bank borrowings	1,213	5,887
Interest expense on finance leases	—	11
Depreciation	82,095	95,943
Loss on disposal of property, plant and equipment	10,242	1,532
Gain on dilution of interest in a subsidiary	—	(1,682)
Dividend income from listed investment securities	(429)	(378)
(Increase) decrease in inventories	(30,807)	22,596
Decrease in trade receivables	873	3,276
Decrease (increase) in other receivables, prepayments and deposits	19,635	(17,910)
Decrease in amount due from a fellow subsidiary	3,809	41,290
Increase (decrease) in trade payables	29,372	(74,934)
Increase (decrease) in other payables and accrued charges	47,417	(17,957)
Increase in amount due to a fellow subsidiary	536	4,267
Increase in amount due to ultimate holding company	1,471	3,889
	262,085	114,081
Net cash inflow from operating activities	262,085	114,081

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Minority interest HK\$'000	Obligations under a finance lease HK\$'000
At 1 March 1999	2,053	151
Contributions from a minority shareholder	9,067	—
Dilution of interest in a subsidiary	(1,650)	—
Minority share of profit for the year	6,585	—
Repayment during the year	—	(151)
	16,055	—
At 29 February 2000	16,055	—
Translation adjustment	(371)	—
Minority share of profit for the year	7,161	—
	22,845	—
At 28 February 2001	22,845	—

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26. MAJOR NON-CASH TRANSACTION

Included in other payables and accrued charges as at 28 February 2001 is an amount of HK\$5,028,000 (2000: HK\$12,350,000) in respect of the purchase of property, plant and equipment not yet paid at that date.

27. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	24,887	64,623	24,887	49,925
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	38,739	127,106	38,739	95,075
	63,626	191,729	63,626	145,000

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had the following commitments payable within the next year under non-cancellable operating leases:

	THE GROUP				THE COMPANY			
	2001		2000		2001		2000	
	Rented premises	Rented furniture, fixtures and equipment	Rented premises	Rented furniture, fixtures and equipment	Rented premises	Rented furniture, fixtures and equipment	Rented premises	Rented furniture, fixtures and equipment
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating leases which expire:								
Within one year	12,817	1,580	3,872	—	12,717	—	3,779	—
In the second to fifth year inclusive	59,468	—	61,620	2,772	58,734	—	61,304	—
Over five years	276,193	—	233,350	—	240,500	—	202,465	—
	348,478	1,580	298,842	2,772	311,951	—	267,548	—

In addition to the above, eight (2000: eight) of the leases of the Group and seven (2000: seven) of the leases of the Company are each subject to an additional premium based on a fixed percentage of the annual gross turnover and receipts in excess of a specified minimum amount.

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29. RETIREMENT BENEFITS SCHEMES

The Company operating in Hong Kong have participated in the Monetary Provident Fund Schemes (“MPF Schemes”) registered under the Monetary Provident Fund Ordinance in December 2000. Contributions paid or payable for the MPF Schemes for the year are charged to the income statement for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the scheme for certain employees who make voluntary contributions. Where there are employees who contribute voluntarily and leave the MPF Scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions charged to the income statement represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiary are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years was approximately HK\$127,000 (2000: HK\$13,000).

30. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Nature of transaction	2001 HK\$'000	2000 HK\$'000
Fellow subsidiaries	Commission expenses	15,606	16,207
	Purchase of goods	29,579	23,283
	Rental income from licences	7,397	7,628

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30. RELATED PARTY TRANSACTIONS (continued)

Nature of transaction		2001 HK\$'000	2000 HK\$'000
Ultimate holding company	Purchase of goods	—	476
	Royalty expenses	20,936	18,195
	Share of operating costs of the Asian Headquarters	354	3,713
	Support service income for use of facilities by the Asian Headquarters	148	1,755
	Minority shareholder of the subsidiary	Rental expenses and management fees	25,821

Commission expenses were in respect of certain purchases made by customers of the Group and certain purchases which are financed by interest-free hire purchase credit facilities provided by a fellow subsidiary to customers of the Group. The amount was charged at the commission rate on the purchases in accordance with the relevant commission agreements.

Rental income from licences was in respect of service counters, cash dispensing machines and cash repayment machines operated by a fellow subsidiary in the stores of the Group. The amount was charged at a monthly rental in accordance with the relevant licence agreements.

Purchase of goods, rental expenses and management fees were carried out on the basis of estimated market value or at terms determined and agreed by both parties. In respect of rental expenses, in addition to the monthly fixed rentals, an additional premium is charged at a fixed percentage of the annual gross turnover and receipts in excess of a specified minimum amount as stated in the relevant rental agreements.

Royalty expenses were charged at a fixed percentage on the adjusted gross profit of a store or a fixed rate on the floor area of the other stores in accordance with a technical assistance agreement.

The amounts for the share of operating costs and the support service income for the Asian Headquarters established by its ultimate holding company were charged on actual cost allocation basis.

During the year, the Group received dividend income amounting to HK\$429,000 (2000: HK\$378,000) from a fellow subsidiary which was based on the percentage of equity interests in the fellow subsidiary.

In addition to the above, the Group has donated HK\$117,000 (2000: Nil) to AEON JUSCO Education and Environment Fund Limited ("the Fund") of which the Company is a member of the Fund. The Fund is a company limited by guarantee and not having a share capital, established in co-operation with AEON Credit Service (Asia) Company Limited on 18 February 1998. The objective of the Fund is to promote environmental protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the PRC. The Group donates 1 per cent. of its preceding year-end profit before taxation to the Fund every year.

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30. RELATED PARTY TRANSACTIONS (continued)

Outstanding balances as at the balance sheet date arising from the above transactions with related parties were as set out in the consolidated balance sheet except for the following balance, which is included in other receivables, prepayments and deposits:

	2001 HK\$'000	2000 HK\$'000
Amount due from minority shareholder of the subsidiary	8,856	9,067