

# Notes to the Financial Statements

For the year ended 28 February 2002

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is AEON Co., Ltd. (formerly known as JUSCO Co., Ltd.), incorporated and listed in Japan.

The principal activities of the Group are the operation of general merchandise stores.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants for the first time. Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of the new and revised Standards described above has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

### Dividend proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been adjusted retrospectively, resulting in a prior period adjustment (see note 23).

### Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

### Segment reporting

In the current year, the Group has adopted SSAP 26 "Segment reporting". Disclosures for the Group's segment information have been modified so as to meet the requirements of SSAP 26.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 28 February each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**Investment in a subsidiary**

Investment in a subsidiary is included in the Company's balance sheet at cost, less any identified impairment loss.

**Turnover**

Turnover represents the invoiced value of goods, net of discounts, sold to customers during the year.

**Revenue recognition**

Sales are recognised when goods are sold.

Rentals received from licensees are recognised on a straight line basis over the terms of the relevant licence agreements.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

**Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and accumulated impairment losses.

Construction in progress is stated at cost which includes all expenditure incurred for construction of building fixtures, furniture, fixtures and equipment and the direct costs attributable to such assets.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress to their estimated residual values in annual instalments over their estimated useful lives. The rates of depreciation used and their estimated residual values are as follows:

	Rate of depreciation	Estimated residual value
Building fixtures	Over the expected useful lives or, where shorter, the term of the relevant lease on a straight line basis	5% – 10% of cost
Furniture, fixtures and equipment	15% per annum over the first 5 years and 20% in the 6th year or 6 <sup>2</sup> / <sub>3</sub> % – 25% per annum	Nil – 10% of cost
Motor vehicles	22.5% per annum over the first 3 years and 27.5% in the 4th year or 20% per annum	5% – 10% of cost

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

In respect of construction in progress, depreciation will be provided when the construction is completed and ready for its intended use.

All capital expenditure on items costing under HK\$5,000 is charged to the income statement in the year of occurrence.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**Inventories**

Inventories, which represent merchandises held for resale, are stated at the lower of cost and net realisable value and is computed using the retail price method.

**Operating leases**

Rentals in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

**Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

**Retirement benefit scheme**

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS****Geographical segments**

The Group's operations are located in Hong Kong and the People's Republic of China, ("PRC") other than Hong Kong.

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Geographical segments** (continued)

Geographical segment information about the business is presented below.

**2002**

	Year ended 28 February 2002			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>				
Total revenue	<b>3,177,714</b>	<b>543,210</b>	–	<b>3,720,924</b>
<b>RESULT</b>				
Profit from operations	<b>75,195</b>	<b>34,131</b>	–	<b>109,326</b>
Finance cost	<b>(125)</b>	–	–	<b>(125)</b>
Investment income	<b>3,473</b>	<b>1,674</b>	–	<b>5,147</b>
Profit from ordinary activities before taxation	<b>78,543</b>	<b>35,805</b>	–	<b>114,348</b>
Income tax expenses	<b>(17,100)</b>	<b>(14,831)</b>	–	<b>(31,931)</b>
Profit before minority interest	<b>61,443</b>	<b>20,974</b>	–	<b>82,417</b>

	At 28 February 2002			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Consolidated total assets	<b>961,438</b>	<b>218,005</b>	<b>(7,452)</b>	<b>1,171,991</b>
<b>LIABILITIES</b>				
Segment liabilities	<b>608,500</b>	<b>132,264</b>	<b>(7,452)</b>	<b>733,312</b>
Unallocated corporate liabilities				<b>17,355</b>
Consolidated total liabilities				<b>750,667</b>

	Year ended 28 February 2002		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>			
Capital additions	<b>56,116</b>	<b>19,751</b>	<b>75,867</b>
Depreciation and amortisation	<b>71,434</b>	<b>13,706</b>	<b>85,140</b>
Impairment losses recognised in income	<b>12,000</b>	–	<b>12,000</b>

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Geographical segments** (continued)

2001

	Year ended 28 February 2001			Consolidated HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	
<b>TURNOVER</b>				
Total revenue	2,919,709	474,775	–	3,394,484
<b>RESULT</b>				
Profit from operations	63,372	34,070	–	97,442
Finance costs	(975)	(238)	–	(1,213)
Investment income	4,377	896	–	5,273
Profit from ordinary activities before taxation	66,774	34,728	–	101,502
Income tax credit (expenses)	11,468	(13,573)	–	(2,105)
Profit before minority interest	78,242	21,155	–	99,397

	At 28 February 2001			Consolidated HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Consolidated total assets	878,642	192,853	(6,043)	1,065,452
<b>LIABILITIES</b>				
Segment liabilities	567,221	119,357	(6,043)	680,535
Unallocated corporate liabilities				5,830
Consolidated total liabilities				686,365

	Year ended 28 February 2001		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>			
Capital additions	85,516	22,348	107,864
Depreciation and amortisation	73,575	8,520	82,095

**Business segments**

There was no analysis by principal activities because the Group has only one business.

**5. PROFIT FROM OPERATIONS**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,158	931
Operating lease rentals in respect of		
Rented premises		
– Minimum lease payments	323,419	287,209
– Contingent rent (note)	8,098	–
Rented furniture, fixtures and equipment	1,600	2,711
	<b>333,117</b>	<b>289,920</b>
Retirement benefits scheme contributions, net of forfeited contributions of HK\$1,460,000 (2001: HK\$2,608,000)	13,432	7,520
Royalties payable to the ultimate holding company	22,868	20,936
Rentals received from licensees		
– minimum lease payments	(150,008)	(136,343)
– contingent rent (note)	(41,724)	(52,434)
	<b>(191,732)</b>	<b>(188,777)</b>

*Note:* Contingent rent payments are calculated based on the excess of a percentage of turnover of the relevant operation that occupied the premises over the minimum lease payments as stated in the relevant rental agreements.

**6. FINANCE COSTS**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	125	1,213

**7. INVESTMENT INCOME**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Dividend income from listed investment securities	493	429
Interest income from bank deposits	4,654	4,844
	<b>5,147</b>	<b>5,273</b>

**8. DIRECTORS' EMOLUMENTS**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	120	120
Non-executive	1,301	1,320
	<b>1,421</b>	<b>1,440</b>
Other emoluments:		
Executive		
Salaries and other benefits	7,656	5,846
Contributions to retirement benefits scheme	125	81
Non-executive	–	–
Total emoluments	<b>9,202</b>	<b>7,367</b>

The amounts disclosed above include directors' fees of HK\$380,000 (2001: HK\$330,000) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	No. of directors	
	2002	2001
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	3	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1



**9. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, five (2001: three) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two individuals in last year are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	–	3,062

Their emoluments were within the following bands:

	<b>No. of employees</b>	
	<b>2002</b>	2001
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	–	1

**10. INCOME TAX EXPENSES**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	<b>17,100</b>	5,000
Overprovision in previous years	–	(6,768)
	<b>17,100</b>	(1,768)
PRC income tax	<b>14,831</b>	13,573
Deferred taxation (note 27)	–	(9,700)
	<b>31,931</b>	2,105

PRC income tax is calculated at 33% of the estimated assessable profits of the subsidiary.

Details of the potential deferred tax credit not recognised for the year are set out in note 27.

**11. NET PROFIT FOR THE YEAR**

Of the Group's net profit for the year of HK\$76,958,000 (2001: HK\$92,236,000), a net profit of HK\$67,680,000 (2001: HK\$78,872,000) has been dealt with in the financial statements of the Company.

**12. DIVIDENDS**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Final dividend in respect of 2001 of 13.0 HK cents (2000: 4.0 HK cents) per share	33,800	10,400
Interim dividend paid of 2.0 HK cents (2001: 1.0 HK cent) per share	5,200	2,600
	<b>39,000</b>	<b>13,000</b>

The final dividend of 9.5 HK cents per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

**13. EARNINGS PER SHARE**

The calculation of earnings per share is based on the Group's net profit for the year of HK\$76,958,000 (2001: HK\$92,236,000) and on 260,000,000 (2001: 260,000,000) ordinary shares in issue during the year.

**14. PROPERTY, PLANT AND EQUIPMENT**

	Building fixtures HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
COST					
At 1 March 2001	523,532	186,192	2,392	9,616	721,732
Translation adjustments	837	127	19	–	983
Additions	14,195	19,680	652	41,340	75,867
Transfer	30,153	9,135	160	(39,448)	–
Disposals	(3,688)	(2,892)	(497)	–	(7,077)
At 28 February 2002	565,029	212,242	2,726	11,508	791,505
DEPRECIATION AND IMPAIRMENT LOSS					
At 1 March 2001	198,458	99,617	1,330	–	299,405
Translation adjustments	258	31	10	–	299
Provided for the year	54,345	30,374	421	–	85,140
Impairment loss ( <i>note</i> )	12,000	–	–	–	12,000
Eliminated on disposals	(2,072)	(1,633)	(472)	–	(4,177)
At 28 February 2002	262,989	128,389	1,289	–	392,667
NET BOOK VALUES					
At 28 February 2002	302,040	83,853	1,437	11,508	398,838
At 28 February 2001	325,074	86,575	1,062	9,616	422,327

**14. PROPERTY, PLANT AND EQUIPMENT** (continued)

	Building fixtures HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
COST					
At 1 March 2001	459,848	176,540	977	9,616	646,981
Additions	14,195	11,741	348	29,832	56,116
Transfer	30,153	9,135	160	(39,448)	–
Disposals	(3,688)	(2,001)	(497)	–	(6,186)
At 28 February 2002	500,508	195,415	988	–	696,911
DEPRECIATION AND IMPAIRMENT LOSS					
At 1 March 2001	178,794	97,277	605	–	276,676
Provided for the year	45,661	25,567	206	–	71,434
Impairment loss ( <i>note</i> )	12,000	–	–	–	12,000
Eliminated on disposals	(2,072)	(1,133)	(472)	–	(3,677)
At 28 February 2002	234,383	121,711	339	–	356,433
NET BOOK VALUES					
At 28 February 2002	266,125	73,704	649	–	340,478
At 28 February 2001	281,054	79,263	372	9,616	370,305

*Note:* The impairment loss has been estimated with reference to the value in use of certain stores in which the building fixtures are located using discount rates based on the cost of capital of the Group.

**15. INVESTMENT IN A SUBSIDIARY**

	<b>THE COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted investment, at cost	<b>31,227</b>	31,227

The Company holds a 65% equity interest in Guangdong JUSCO Teem Stores Co., Ltd., a company registered in the PRC which is principally engaged in the operation of general merchandise stores.

**16. INVESTMENT SECURITIES**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Equity securities:		
Listed shares in Hong Kong, at cost	<b>2,196</b>	2,196
Debt securities:		
Unlisted club debenture, at cost	<b>1,740</b>	1,740
	<b>3,936</b>	3,936
Market value of listed securities	<b>12,109</b>	9,933

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

**17. 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:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>3,803</b>	2,490	<b>2,410</b>	2,490
Overdue under 30 days	<b>145</b>	987	<b>145</b>	410
Overdue over 30 days	<b>2,109</b>	1,444	<b>2,109</b>	1,444
	<b>6,057</b>	4,921	<b>4,664</b>	4,344

**18. AMOUNT DUE FROM A FELLOW SUBSIDIARY****The Group and the Company**

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

**19. TRADE PAYABLES**

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within due dates	466,312	438,154	384,843	361,381
Overdue under 30 days	16,302	10,328	4,947	3,919
Overdue over 30 days	25,955	26,430	20,312	19,173
	<b>508,569</b>	474,912	<b>410,102</b>	384,473

**20. AMOUNT DUE TO A FELLOW SUBSIDIARY****The Group and the Company**

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

**21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY****The Group and the Company**

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

**22. SHARE CAPITAL**

	2002 & 2001 HK\$'000
Authorised:	
350,000,000 ordinary shares of HK\$0.20 each	70,000
Issued and fully paid:	
260,000,000 ordinary shares of HK\$0.20 each	52,000

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

## 23. SHARE PREMIUM AND RESERVES

	Share premium	Translation reserve	Retained profits	PRC statutory reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>					
At 1 March 2000					
– as originally stated	63,158	143	152,036	–	215,337
– prior period adjustment (note 2)	–	–	10,400	–	10,400
– as restated	63,158	143	162,436	–	225,737
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	–	–	(13,000)	–	(13,000)
At 28 February 2001	63,158	(588)	240,967	705	304,242
Exchange differences arising on translation of overseas operations	–	637	–	–	637
Profit for the year	–	–	76,958	–	76,958
Transfer, net of minority interest's share	–	–	(159)	159	–
Dividends	–	–	(39,000)	–	(39,000)
At 28 February 2002	63,158	49	278,766	864	342,837
<b>THE COMPANY</b>					
At 1 March 2000					
– as originally stated	63,158	–	150,941	–	214,099
– prior year adjustment (note 2)	–	–	10,400	–	10,400
– as restated	63,158	–	161,341	–	224,499
Profit for the year	–	–	78,872	–	78,872
Dividend	–	–	(13,000)	–	(13,000)
At 28 February 2001	63,158	–	227,213	–	290,371
Profit for the year	–	–	67,680	–	67,680
Dividends	–	–	(39,000)	–	(39,000)
At 28 February 2002	63,158	–	255,893	–	319,051

**23. SHARE PREMIUM AND RESERVES** (continued)

The Company's reserves available for distribution to shareholders as at 28 February 2002 represented the retained profits of HK\$255,893,000 (2001: HK\$227,213,000).

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

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

	2002 HK\$'000	2001 HK\$'000
Profit from ordinary activities before taxation	114,348	101,502
Dividend income from listed investment securities	(493)	(429)
Interest income	(4,654)	(4,844)
Interest expense on bank borrowings	125	1,213
Depreciation	85,140	82,095
Loss on disposal of property, plant and equipment	2,824	10,242
Impairment loss on property, plant and equipment	12,000	–
Increase in inventories	(42,440)	(30,807)
(Increase) decrease in trade receivables	(1,129)	873
(Increase) decrease in other receivables, prepayments and deposits	(9,189)	19,635
(Increase) decrease in amount due from a fellow subsidiary	(2,742)	3,809
Increase in trade payables	32,469	29,372
Increase in other payables and accrued charges	19,392	47,417
(Decrease) increase in amount due to a fellow subsidiary	(864)	536
Increase in amount due to ultimate holding company	2,686	1,471
	<b>207,473</b>	<b>262,085</b>
Net cash inflow from operating activities	<b>207,473</b>	<b>262,085</b>

**25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Minority interest HK\$'000
At 1 March 2000	16,055
Translation adjustment	(371)
Minority share of profit for the year	7,161
At 28 February 2001	22,845
Translation adjustment	325
Minority share of profit for the year	5,459
Dividends paid during the year	(2,142)
At 28 February 2002	26,487

**26. MAJOR NON-CASH TRANSACTION**

Included in other payables and accrued charges as at 28 February 2002 is an amount of HK\$2,609,000 (2001: HK\$5,028,000) in respect of the purchase of property, plant and equipment not yet paid at that date.

**27. DEFERRED TAXATION**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of the year	–	9,700
Credit for the year (note 10)	–	(9,700)
Balance at end of the year	–	–

At the balance sheet date, the major components of unprovided deferred taxation asset were as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences because of:				
Shortfall of tax allowances over accounting depreciation	<b>(6,217)</b>	(1,314)	<b>(6,217)</b>	(1,314)
Other timing differences	<b>(2,699)</b>	(4,610)	<b>677</b>	(2,056)
Net deferred taxation asset	<b>(8,916)</b>	(5,924)	<b>(5,540)</b>	(3,370)

The deferred taxation assets has not been recognised in the financial statements as it is not certain that the deferred taxation assets with crystallise in the foreseeable future.

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

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and accounting depreciation	<b>(4,903)</b>	(11,920)
Other timing differences	<b>1,911</b>	(6,101)
	<b>(2,992)</b>	(18,021)



**28. CAPITAL COMMITMENTS**

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	13,783	24,887	–	24,887
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	50,967	38,739	–	38,739
	<b>64,750</b>	<b>63,626</b>	<b>–</b>	<b>63,626</b>
Capital contribution to a subsidiary contracted for but not provided in the financial statements	33,069	–	33,069	–

**29. OPERATING LEASE ARRANGEMENTS****The Group and the Company as lessee**

At the balance sheet date, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	THE GROUP				THE COMPANY			
	2002		2001		2002		2001	
	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
Within one year	345,107	–	348,478	1,580	300,710	–	311,951	–
In the second to fifth year inclusive	1,344,810	–	1,402,800	–	1,136,222	–	1,218,111	–
Over five years	1,131,664	–	1,329,128	–	1,056,551	–	1,276,274	–
	<b>2,821,581</b>	<b>–</b>	<b>3,080,406</b>	<b>1,580</b>	<b>2,493,483</b>	<b>–</b>	<b>2,806,336</b>	<b>–</b>

In addition to the above, nine (2001: eight) of the leases of the Group and eight (2001: seven) of the leases of the Company are each subject to contingent rents based on a fixed percentage of the annual gross turnover and receipts in excess of the minimum lease payments.

**29. OPERATING LEASE ARRANGEMENTS** (continued)

Operating lease payments represent rentals payable by the Group for its stores and staff quarters. Leases of stores are negotiated for terms ranging from eight to ten years and rentals are fixed for three years. Leases of staff quarters are negotiated for fixed terms of two years and rentals are fixed for one to two years.

**The Group and the Company as lessor**

At the balance sheet date, the Group and the Company had contracted with licensees for floor areas in the stores for the following future minimum lease payments under non-cancellable operating leases for each of the following period:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	94,164	130,102	93,881	129,914
In the second to fifth year inclusive	39,560	94,901	39,486	94,901
Over five years	–	864	–	864
	<b>133,724</b>	225,867	<b>133,367</b>	225,679

The leases are negotiated for terms ranging from one to six years. In addition to the minimum lease payments, the Group and the Company is entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

**30. RETIREMENT BENEFITS SCHEMES**

The Company operating in Hong Kong has participated in the Mandatory Provident Fund Schemes (“MPF Schemes”) registered under the Mandatory Provident Fund Ordinance in December 2001. 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.

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.

**30. RETIREMENT BENEFITS SCHEMES** (continued)

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 to the retirement benefits schemes based on a certain percentage of their payroll 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\$73,000 (2001: HK\$127,000).

**31. RELATED PARTY TRANSACTIONS**

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

Nature of transaction		2002 HK\$'000	2001 HK\$'000
Fellow subsidiaries	Commission expenses	20,388	15,606
	Purchase of goods	37,131	29,579
	Rental income from licensees	7,627	7,397
Ultimate holding company	Royalty expenses	22,868	20,936
	Share of operating costs of the Asian Headquarters	–	354
	Support service income for use of facilities by the Asian Headquarters	–	148
		29,370	25,821
Minority shareholder of the subsidiary	Rental expenses and management fees	29,370	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 licensees 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, contingent rent 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.

**31. RELATED PARTY TRANSACTIONS** (continued)

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\$493,000 (2001: HK\$429,000) from a fellow subsidiary which was based on the percentage of equity interests in that fellow subsidiary.

In addition to the above, the Group has donated HK\$674,000 (2001: HK\$117,000) 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.

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:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Amount due from minority shareholder of the subsidiary	<b>10,937</b>	8,856