

Notes to the Financial Statements

For the year ended 20th February 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is *AEON Credit Service Co., Ltd.* and its ultimate holding company is *AEON Co., Ltd.*, both companies are incorporated and listed in Japan.

The Company is engaged in the provision of consumer credit finance services which include the issuance of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement, but has had no impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Presentation of Financial Statements

SSAP 1 (Revised) has introduced the format of presentation of the statement of changes in equity.

Cash Flow Statements

In the current year, the Company has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends paid, which were previously presented under separate headings, are classified as operating and financing cash flows respectively, while dividends received are classified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Notes to the Financial Statements

For the year ended 20th February 2003

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Cont'd)

Employee Benefits

In the current year, the Company has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Company participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities. The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Turnover

Turnover represents interest income, annual fees and commission income received and receivable from credit finance services provided to outside customers and investment income from the seller and subordinated interests in securitisation trust received during the year. Turnover is analysed as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Interest income | 659,026 | 804,115 |
| Fees and commissions | 37,786 | 45,090 |
| Investment income from the seller and subordinated interests in securitisation trust | 92,389 | – |
| | <u>789,201</u> | <u>849,205</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Interest income other than from bank deposits, is recognised in the income statement on an accrual basis, except in the case where a debt becomes doubtful at which stage interest ceases to be accrued.

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

Annual fees on credit cards are recognised in the income statement on a time proportion basis.

Commission income is recognised in the income statement when earned.

Dividend income from investments in securities is recognised in the income statement when the Company's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the costs of items of property, plant and equipment over their estimated useful lives using the straight line method, at the following rates per annum:

| | |
|------------------------|--------------------------|
| Leasehold improvements | 33 $\frac{1}{3}$ % |
| Furniture and fixtures | 20% |
| Computer equipment | 20% – 33 $\frac{1}{3}$ % |
| Motor vehicles | 33 $\frac{1}{3}$ % |

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

Interest in associates

Investments in associates are stated at cost, as reduced by any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received or receivable during the year.

Notes to the Financial Statements

For the year ended 20th February 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 Company has the expressed intention and ability to hold to maturity (held-to-maturity debt 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 purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair values, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its 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 losses are 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.

Hire purchase contracts

The amounts due from customers in respect of hire purchase contracts are recorded in the balance sheet at the amount of net investment which represent the total rental receivable under hire purchase agreements less unearned income. Finance income implicit in the rental receivable is credited to the income statement to produce an approximate constant periodic rate of return on the net investment.

Notes to the Financial Statements

For the year ended 20th February 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are made against loans and receivables as and when they are considered doubtful by the management. In addition, an amount is set aside as a general allowance for bad and doubtful debts. Loans and receivables are stated in the financial statements net of these allowances.

Credit losses associated with securitised and sold credit card receivables are not reflected in the Company's allowance for bad and doubtful debts. Such credit losses are absorbed directly under the contractual agreements of the credit card securitisation trust, thereby reducing credit card securitisation income rather than being charged against the allowance for bad and doubtful debts.

Issued debt securities

Issued debt securities are recorded at the consideration received on the issue of the certificates after deduction of costs in connection with the issue. The issue costs are taken as part of finance costs to the income statement at a constant rate on the carrying amount over the term of the certificates.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

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.

Notes to the Financial Statements

For the year ended 20th February 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Asset securitisations

The Company securitises various consumer financial assets, which generally results in the sale of these assets to special purpose entities which, in turn, issue securities to investors. Financial assets are partially or wholly derecognised when the Company gives up control of the contractual rights that comprise the financial assets.

Interests in the securitised financial assets may be retained in the form of seller or subordinated tranches, interest-only strips or other residual interests (“retained interests”). The seller and subordinated tranches are recorded in the balance sheet as retained interests in securitisation trust and are carried at amortised cost. The difference between the allocated carrying amount and the fair value of the securitised receivables at the date of the transfer is recognised as interest income over the life of investment using the effective yield method.

The interest-only strips and other residual interests are recorded in the balance sheet as retained interests in securitisation trust and are carried at fair value. The determination of fair values of retained interests is generally based on listed market prices or by determining the present value of expected future cash flows using pricing models that incorporate management’s best estimates of critical assumptions which may include credit losses, discount rates, yield curves and other factors. Unrealised gains or losses are recorded in the credit card securitisation income in the income statement.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. The Company recognises all assets obtained and liabilities incurred in consideration as proceeds of the sale, including any contingent liabilities. Gains or losses on securitisation are recorded in the credit card securitisation income in the income statement.

Derivative financial instruments

Derivative financial instruments arise from swap transactions undertaken by the Company in the foreign exchange and interest rate markets. Transactions undertaken for hedging purposes are valued on the same basis as the assets, liabilities or net positions that they are hedging. Any profit or loss is recognised in the income statement on the same basis as that arising from the related assets, liabilities or positions.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Notes to the Financial Statements

For the year ended 20th February 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Company is currently organised into three operating divisions – credit card, hire purchase and instalment loan. These divisions are the basis on which the Company reports its primary segment information.

Principal activities are as follows:

- Credit card – Provide credit card services to individuals and acquiring services for member-stores
- Hire purchase – Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals
- Instalment loan – Provide personal loan financing to individuals

Segment information about these businesses is presented below:

2003

| | Credit card HK\$'000 | Hire purchase HK\$'000 | Instalment loan HK\$'000 | Other operation HK\$'000 | Combined HK\$'000 |
|---|-------------------------|------------------------------|--------------------------------|--------------------------------|----------------------|
| INCOME STATEMENT | | | | | |
| TURNOVER | <u>669,736</u> | <u>26,995</u> | <u>83,487</u> | <u>8,983</u> | <u>789,201</u> |
| RESULT | | | | | |
| Net interest income | 461,496 | (4,161) | 64,987 | (7,160) | 515,162 |
| Credit card securitisation income | 192,192 | – | – | – | 192,192 |
| Other operating income | 52,550 | 21,091 | 1,512 | 34,746 | 109,899 |
| Other loss | – | – | – | (1,500) | (1,500) |
| Charge for bad and doubtful debts | <u>(318,418)</u> | <u>(12,364)</u> | <u>(72,632)</u> | – | <u>(403,414)</u> |
| Segment results | <u>387,820</u> | <u>4,566</u> | <u>(6,133)</u> | <u>26,086</u> | 412,339 |
| Unallocated operating expenses | | | | | <u>(274,144)</u> |
| Profit before taxation | | | | | <u>138,195</u> |
| BALANCE SHEET | | | | | |
| ASSETS | | | | | |
| Total assets | <u>1,988,875</u> | <u>216,672</u> | <u>351,324</u> | <u>390,081</u> | <u>2,946,952</u> |
| LIABILITIES | | | | | |
| Total liabilities | <u>1,240,029</u> | <u>164,694</u> | <u>211,064</u> | <u>212,460</u> | <u>1,828,247</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2002

| | Credit card HK\$'000 | Hire purchase HK\$'000 | Instalment loan HK\$'000 | Other operation HK\$'000 | Combined HK\$'000 |
|--------------------------------------|-------------------------|------------------------------|--------------------------------|--------------------------------|----------------------|
| INCOME STATEMENT | | | | | |
| TURNOVER | <u>722,892</u> | <u>39,073</u> | <u>77,742</u> | <u>9,498</u> | <u>849,205</u> |
| RESULT | | | | | |
| Net interest income | 574,983 | 2,078 | 61,777 | (5,521) | 633,317 |
| Other operating income | 48,220 | 25,314 | 3,801 | 1,136 | 78,471 |
| Other income | – | – | – | 67,734 | 67,734 |
| Charge for bad and doubtful debts | <u>(203,160)</u> | <u>(4,739)</u> | <u>(27,508)</u> | <u>–</u> | <u>(235,407)</u> |
| Segment results | <u>420,043</u> | <u>22,653</u> | <u>38,070</u> | <u>63,349</u> | <u>544,115</u> |
| Unallocated operating expenses | | | | | <u>(296,444)</u> |
| Profit before taxation | | | | | <u>247,671</u> |
| BALANCE SHEET | | | | | |
| ASSETS | | | | | |
| Total assets | <u>2,428,976</u> | <u>282,573</u> | <u>297,875</u> | <u>285,919</u> | <u>3,295,343</u> |
| LIABILITIES | | | | | |
| Total liabilities | <u>1,612,636</u> | <u>233,023</u> | <u>179,761</u> | <u>214,086</u> | <u>2,239,506</u> |

(b) Geographical segments

All the Company's interest income, fee and commission income and profit are derived from operations carried out in Hong Kong.

Notes to the Financial Statements

For the year ended 20th February 2003

5. INTEREST EXPENSE

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Interest on bank loans and overdrafts wholly repayable within five years | 120,187 | 137,700 |
| Finance costs on issue of debt securities wholly repayable within five years | 23,677 | 33,098 |
| | <u>143,864</u> | <u>170,798</u> |

Included in the interest expense on issue of debt securities wholly repayable within five years are amortisation of costs in connection with issue of debt securities of HK\$7,256,000 (2002: HK\$6,177,000).

6. CREDIT CARD SECURITISATION INCOME

Credit card securitisation income represents the combined effect of gains on sales of credit card receivables, investment income from the seller and subordinated interests in securitisation trust and unrealised gains and losses on the interest-only strips and cash reserve account in the securitisation trust.

7. OTHER OPERATING INCOME

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Fees and commissions | | |
| Credit card | 17,183 | 20,017 |
| Hire purchase | 20,603 | 25,073 |
| Handling, late and storage charges | 24,708 | 23,744 |
| Gain on disposal of investment securities and other investments | 33,322 | – |
| Servicer fee on credit card securitisation | 8,196 | – |
| Dividends received on listed investments | 1,423 | 1,136 |
| Others | 4,464 | 8,501 |
| | <u>109,899</u> | <u>78,471</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

8. OTHER (LOSS) INCOME

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Net gain on disposal of property, plant and equipment | 84 | 34,005 |
| Net unrealised (loss) gain on revaluation of other investments | (1,584) | 33,729 |
| | <u>(1,500)</u> | <u>67,734</u> |

9. OPERATING EXPENSES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Administrative expenses | 60,842 | 64,338 |
| Advertising expenses | 17,301 | 22,628 |
| Auditors' remuneration | 1,364 | 1,350 |
| Depreciation | 25,931 | 26,082 |
| Exchange loss | 43 | 100 |
| Operating lease rentals in respect of rented premises, advertising space and equipment | 67,129 | 58,802 |
| Other operating expenses | 27,723 | 33,810 |
| Staff costs | 73,811 | 89,334 |
| | <u>274,144</u> | <u>296,444</u> |

Operating lease rentals in respect of directors' accommodation and staff quarters of Nil (2002: HK\$715,000) and HK\$1,424,000 (2002: HK\$1,545,000) are included under directors' other emoluments which are disclosed in note 10 and staff costs respectively.

Notes to the Financial Statements

For the year ended 20th February 2003

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|---------------------|---------------------|
| Directors' fees: | | |
| Non-executive | | |
| – Current year | 150 | 500 |
| – Waived for prior year | (262) | – |
| Independent non-executive | <u>420</u> | <u>410</u> |
| | 308 | 910 |
| Other emoluments to executive directors: | | |
| Salaries, housing benefits, other allowances and benefits | 2,647 | 5,083 |
| Discretionary bonus | 440 | 700 |
| Mandatory provident fund contributions | <u>24</u> | <u>20</u> |
| | <u>3,419</u> | <u>6,713</u> |

The emoluments of the directors were within the following bands:

| | 2003 No. of directors | 2002 |
|--------------------------------|--------------------------|------------------|
| Nil to HK\$1,000,000 | 8 | 7 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 2 |
| HK\$1,500,001 to HK\$2,500,000 | 1 | – |
| HK\$2,500,001 to HK\$3,000,000 | <u>–</u> | <u>1</u> |
| | <u>10</u> | <u>10</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

During the year, the five highest paid individuals included two directors (2002: four directors), details of whose emoluments are set out in above. The emoluments paid to the remaining three individuals (2002: one individual) were as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------|--------------------------------|------------------|
| Salaries and other benefits | 2,232 | 786 |
| Discretionary bonus | — | 15 |
| | <u>2,232</u> | <u>801</u> |

The emoluments of the remaining three individuals (2002: one individual) were within the following bands:

| | 2003 No. of employees | 2002 |
|----------------------|--|----------|
| Nil to HK\$1,000,000 | <u>3</u> | <u>1</u> |

11. CHARGE FOR BAD AND DOUBTFUL DEBTS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------------------|--------------------------------|------------------|
| Specific allowances made | 360,673 | 222,614 |
| Increase in general allowances | 42,741 | 12,793 |
| | <u>403,414</u> | <u>235,407</u> |

Notes to the Financial Statements

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12. INCOME TAX

| | 2003 | 2002 |
|---|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax calculated at 16% (2002: 16%) of the estimated assessable profit | 26,886 | 32,272 |
| Deferred taxation | (5,996) | 4,397 |
| | <u>20,890</u> | <u>36,669</u> |

Details of the deferred tax charge provided and not provided for during the year are set out in note 33.

13. DIVIDENDS

| | 2003 | 2002 |
|---|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Interim paid: | | |
| 5.0 HK cents (2002: 5.0 HK cents) per share | 20,935 | 20,938 |
| Final proposed: | | |
| 8.0 HK cents (2002: 8.0 HK cents) per share | 33,502 | 33,502 |
| | <u>54,437</u> | <u>54,440</u> |

The final dividend of 8.0 HK cents (2002: 8.0 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$117,305,000 (2002: HK\$211,002,000) and on the number of 418,766,000 (2002: 418,766,000) shares in issue during the year.

Notes to the Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Computer equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|------------------------------|---------------------------------------|--|-----------------------------------|-------------------------------|-------------------|
| COST | | | | | |
| At 21st February 2002 | 23,075 | 14,337 | 129,891 | 1,155 | 168,458 |
| Additions | 1,084 | 196 | 30,474 | – | 31,754 |
| Disposals | (5,834) | (702) | (7,124) | (928) | (14,588) |
| At 20th February 2003 | 18,325 | 13,831 | 153,241 | 227 | 185,624 |
| DEPRECIATION | | | | | |
| At 21st February 2002 | 19,435 | 6,288 | 61,710 | 785 | 88,218 |
| Provided for the year | 2,328 | 2,269 | 21,254 | 80 | 25,931 |
| Eliminated on disposals | (5,765) | (701) | (7,110) | (693) | (14,269) |
| At 20th February 2003 | 15,998 | 7,856 | 75,854 | 172 | 99,880 |
| NET BOOK VALUES | | | | | |
| At 20th February 2003 | 2,327 | 5,975 | 77,387 | 55 | 85,744 |
| At 20th February 2002 | 3,640 | 8,049 | 68,181 | 370 | 80,240 |

16. INTEREST IN ASSOCIATES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|------------------------------|------------------|------------------|
| Unlisted shares at cost | 10,592 | 1,987 |
| Amount due from an associate | 119 | 259 |
| | 10,711 | 2,246 |

During the year, interest in AEON Credit Service (Taiwan) Co., Ltd. was diluted from 20% to 8% upon the issue of new shares to the other shareholder. Accordingly, the investment cost of HK\$988,000 was reclassified to investment securities as at 20th February 2003.

The amount due from an associate is unsecured, interest free and has no fixed term of repayment.

Notes to the Financial Statements

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16. INTEREST IN ASSOCIATES (Cont'd)

Details of the Company's associates at 20th February 2003 are as follows:

| Name of associate | Form of business structure | Place of incorporation and operation | Proportion of ownership interest | Principal activity |
|---|----------------------------|--------------------------------------|----------------------------------|-----------------------------------|
| AEON Information Service (Shenzhen) Co., Ltd. | Incorporated | People's Republic of China | 50% | Provision of call centre services |
| AEON Credit Card (Taiwan) Co., Ltd. | Incorporated | Taiwan | 20% | Consumer credit finance services |

The following amounts would have been dealt with in the financial statements of the Company if consolidated financial statements had been presented:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------|------------------|------------------|
| Share of loss of associates | <u>(565)</u> | <u>(27)</u> |
| Share of net assets | <u>9,011</u> | <u>575</u> |

Share of the associate's post acquisition results:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|----------------------------------|------------------|------------------|
| Accumulated loss brought forward | (1,421) | (1,394) |
| Share of loss for the year | <u>(565)</u> | <u>(27)</u> |
| Accumulated loss carried forward | <u>(1,986)</u> | <u>(1,421)</u> |

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17. INVESTMENT SECURITIES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-------------------------------|------------------|------------------|
| At cost: | | |
| Issued by corporate entities | | |
| Listed shares | | |
| Hong Kong | 6,041 | 6,041 |
| Overseas | 2,753 | 4,183 |
| Unlisted shares | 988 | – |
| | <u>9,782</u> | <u>10,224</u> |
| Market value of listed shares | <u>7,898</u> | <u>41,573</u> |

During the year, the Company disposed of investment securities with carrying value of HK\$1,429,000 with a gain of HK\$31,740,000.

18. OTHER INVESTMENTS

Other investments represent shares listed overseas and are stated at market value.

19. HIRE PURCHASE DEBTORS

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---------------------------|------------------|---|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Amounts receivable under hire purchase contracts: | | | | |
| Within one year | 206,908 | 246,536 | 204,097 | 239,164 |
| In the second to fifth year inclusive | 22,141 | 49,895 | 20,931 | 45,040 |
| | <u>229,049</u> | 296,431 | <u>225,028</u> | 284,204 |
| Unearned finance income | (4,021) | (12,227) | – | – |
| Present value of minimum lease payments receivable | <u>225,028</u> | <u>284,204</u> | <u>225,028</u> | <u>284,204</u> |

Notes to the Financial Statements

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19. HIRE PURCHASE DEBTORS (Cont'd)

Analysed as:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Due: | | |
| Within one year | 204,097 | 239,164 |
| Thereafter | 20,931 | 45,040 |
| | <u>225,028</u> | <u>284,204</u> |
| Allowance for bad and doubtful debts | (8,942) | (2,663) |
| | <u>216,086</u> | <u>281,541</u> |
| Current portion included under current assets | (196,284) | (237,375) |
| | <u>19,802</u> | <u>44,166</u> |

The Company enters into the hire purchase arrangements for customers. The term of hire purchase contracts ranges from 3 months to 5 years.

20. INSTALMENT LOANS RECEIVABLE

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Due: | | |
| Within one year | 310,091 | 265,767 |
| In the second to fifth year inclusive | 65,670 | 36,620 |
| | <u>375,761</u> | <u>302,387</u> |
| Allowance for bad and doubtful debts | (36,684) | (13,364) |
| | <u>339,077</u> | <u>289,023</u> |
| Current portion included under current assets | (279,818) | (254,021) |
| | <u>59,259</u> | <u>35,002</u> |

The term of instalment loans ranges from 6 months to 4 years.

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21. CREDIT CARD RECEIVABLES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------------------------|-------------------------|-------------------------|
| Credit card receivables | 1,275,944 | 2,337,615 |
| Allowance for bad and doubtful debts | <u>(190,236)</u> | <u>(132,652)</u> |
| | <u>1,085,708</u> | <u>2,204,963</u> |

22. OVERDUE DEBTOR BALANCE

Set out below is an analysis of debtor balance of hire purchase debtors, instalment loans receivable and credit card receivables which is overdue for more than 1 month:

| | 2003 | | 2002 | |
|---|-----------------------|--------------------|-----------------------|-------------------|
| | HK\$'000 | %* | HK\$'000 | %* |
| Overdue 1 month but less than 2 months | 176,250 | 9.4 | 116,692 | 4.0 |
| Overdue 2 months but less than 3 months | 34,420 | 1.8 | 32,177 | 1.1 |
| Overdue 3 months or above | <u>129,332</u> | <u>6.9</u> | <u>127,444</u> | <u>4.3</u> |
| | <u>340,002</u> | <u>18.1</u> | <u>276,313</u> | <u>9.4</u> |

* Percentage of total debtor balance

Notes to the Financial Statements

For the year ended 20th February 2003

23. RETAINED INTERESTS IN SECURITISATION TRUST AND AMOUNT DUE TO SECURITISATION TRUST

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Due: | | |
| Within one year | 500,630 | – |
| In the second to fifth year inclusive | 231,984 | – |
| | <u>732,614</u> | <u>–</u> |
| Analysed as: | | |
| Seller interest | 258,700 | – |
| Subordinated interest | 193,866 | – |
| Interest-only strips | 201,048 | – |
| Cash reserve account | 79,000 | – |
| | <u>732,614</u> | <u>–</u> |

Seller and subordinated interests represent the amortised cost of the credit card receivables included in the securitisation trust and retained by the Company. The interest-only strips, which are retained by the Company, represent the net present value of the projected excess cash flows expected to be produced from the securitised credit card receivables during their estimated lives.

Amount due to securitisation trust of HK\$31,136,000 (2002: Nil) on the balance sheet represents collections received by the Company from the securitised credit card receivables and related interests but payable to the securitisation trust after the balance sheet date.

Notes to the Financial Statements

For the year ended 20th February 2003

24. CREDITORS AND ACCRUED CHARGES

The aging analysis of creditors and accrued charges was as follows:

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Current | 32,372 | 44,189 |
| Over 1 month but less than 3 months | 739 | 1,642 |
| Over 3 months | 194 | 263 |
| | <u>33,305</u> | <u>46,094</u> |

25. MATURITY PROFILE

| | 3 months or less HK\$'000 | 1 year or less but over 3 months HK\$'000 | 2003 4 years or less but over 1 year HK\$'000 | Over 4 years HK\$'000 | Total HK\$'000 |
|---|---------------------------------|--|---|--------------------------|-------------------|
| ASSETS | | | | | |
| Credit card receivables | 1,275,944 | - | - | - | 1,275,944 |
| Hire purchase debtors | 80,351 | 123,746 | 20,931 | - | 225,028 |
| Instalment loans receivable | 114,102 | 195,989 | 65,670 | - | 375,761 |
| Retained interests in securitisation trust | 295,234 | 205,396 | 231,984 | - | 732,614 |
| Pledged time deposits | 106,494 | - | - | - | 106,494 |
| Time deposits | 153,580 | - | - | - | 153,580 |
| | <u>2,025,705</u> | <u>525,131</u> | <u>318,585</u> | <u>-</u> | <u>2,869,421</u> |
| LIABILITIES | | | | | |
| Issued debt securities | 118,500 | 208,213 | - | - | 326,713 |
| Bank borrowings | 151,245 | 500,000 | 640,000 | 110,000 | 1,401,245 |
| | <u>269,745</u> | <u>708,213</u> | <u>640,000</u> | <u>110,000</u> | <u>1,727,958</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

25. MATURITY PROFILE (Cont'd)

| | 2002 | | | | Total HK\$'000 |
|-----------------------------|---------------------------------|--|---|--------------------------|-------------------|
| | 3 months or less HK\$'000 | 1 year or less but over 3 months HK\$'000 | 4 years or less but over 1 year HK\$'000 | Over 4 years HK\$'000 | |
| ASSETS | | | | | |
| Credit card receivables | 2,337,615 | – | – | – | 2,337,615 |
| Hire purchase debtors | 96,517 | 142,647 | 45,040 | – | 284,204 |
| Instalment loans receivable | 97,057 | 168,710 | 36,620 | – | 302,387 |
| Pledged time deposits | 126,844 | 5,000 | – | – | 131,844 |
| Time deposits | 6,700 | – | – | – | 6,700 |
| | <u>2,664,733</u> | <u>316,357</u> | <u>81,660</u> | <u>–</u> | <u>3,062,750</u> |
| LIABILITIES | | | | | |
| Issued debt securities | – | – | 524,054 | – | 524,054 |
| Bank borrowings | 324,746 | 195,000 | 1,090,000 | – | 1,609,746 |
| | <u>324,746</u> | <u>195,000</u> | <u>1,614,054</u> | <u>–</u> | <u>2,133,800</u> |

26. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

27. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

28. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

Notes to the Financial Statements

For the year ended 20th February 2003

29. BANK BORROWINGS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Bank overdraft, unsecured | 1,245 | 1,946 |
| Bank loans, unsecured | 1,350,000 | 1,477,800 |
| Bank loans, secured | 50,000 | 130,000 |
| | <u>1,401,245</u> | <u>1,609,746</u> |
| The maturity of bank borrowings is as follows: | | |
| Within one year | 651,245 | 519,746 |
| Between one and two years | 485,000 | 530,000 |
| Between two to five years | 265,000 | 560,000 |
| | <u>1,401,245</u> | <u>1,609,746</u> |
| Amount repayable within one year included under current liabilities | <u>(651,245)</u> | <u>(519,746)</u> |
| Amount repayable after one year | <u>750,000</u> | <u>1,090,000</u> |

30. ISSUED CAPITAL

| | Number of shares 2003 & 2002 | Share capital 2003 & 2002 HK\$'000 |
|---------------------------------|---------------------------------|--|
| Ordinary shares of HK\$0.1 each | | |
| Authorised | | |
| At beginning and end of year | <u>1,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid | | |
| At beginning and end of year | <u>418,766,000</u> | <u>41,877</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

31. SHARE PREMIUM AND RESERVES

The Company's reserves available for distribution to shareholders as at 20th February 2003 amounted to HK\$849,228,000 (2002: HK\$786,360,000), representing the aggregate of the dividend reserve and the accumulated profits.

32. ISSUED DEBT SECURITIES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Consideration received on the issue | 540,000 | 540,000 |
| Repayment during the year | (204,597) | – |
| | <u>335,403</u> | <u>540,000</u> |
| Unamortised portion of costs in connection with issue of debt securities | (8,690) | (15,946) |
| | <u>326,713</u> | <u>524,054</u> |
| Analysed as: | | |
| Repayable within one year | 326,713 | – |
| Repayable after one year | – | 524,054 |
| | <u>326,713</u> | <u>524,054</u> |

The Company raised financing of HK\$540 million through the issue of certificates backed by credit card receivables in Hong Kong (the "Transaction") for funding its operations. The monthly interest of the debt securities is determined at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.75% per annum. On 21st August 2002, the Company exercised the option to cause the revolving period of the Transaction to terminate pursuant to the terms of the Transaction.

Notes to the Financial Statements

For the year ended 20th February 2003

33. DEFERRED TAXATION

| | 2003 | 2002 |
|------------------------------|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| At 21st February | 7,997 | 3,600 |
| (Credit) charge for the year | (5,996) | 4,397 |
| | <u> </u> | <u> </u> |
| At 20th February | 2,001 | 7,997 |
| | <u> </u> | <u> </u> |

At the balance sheet date, the major components of the deferred tax liabilities provided and unprovided are as follows:

| | Provided | | Unprovided | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Tax effect of timing differences because of: | | | | |
| Excess of tax allowances over depreciation | – | – | 11,847 | 10,022 |
| General allowance for bad and doubtful debts | – | – | (8,873) | (3,123) |
| Unamortised cost in connection with issue of debt securities | 2,001 | 2,600 | – | – |
| Net unrealised gain on revaluation of other investments | – | 5,397 | – | – |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 2,001 | 7,997 | 2,974 | 6,899 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The deferred tax liability of the Company amounting to HK\$2,974,000 (2002: HK\$6,899,000) has not been provided in the financial statements as, in the opinion of the directors, the timing differences are not expected to crystallise in the foreseeable future, after taking into account of the Company's medium term financial plans and projections.

Notes to the Financial Statements

For the year ended 20th February 2003

33. DEFERRED TAXATION (Cont'd)

The amount of the unprovided deferred tax credit for the year is as follows:

| | 2003 | 2002 |
|--|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Tax effect of timing differences because of: | | |
| Excess of tax allowances over depreciation | 1,825 | 810 |
| Increase in general allowance for bad and doubtful debts | (5,750) | (2,047) |
| | <u>(3,925)</u> | <u>(1,237)</u> |

34. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and advertising space which fall due as follows:

| | 2003 | 2002 |
|---------------------------------------|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Within one year | 30,676 | 37,972 |
| In the second to fifth year inclusive | 17,717 | 17,646 |
| | <u>48,393</u> | <u>55,618</u> |

Leases for rented premises and advertising space are negotiated for an average term of two years and rentals are fixed for an average of one year.

In the prior year, the Company disposed of certain computer equipment and entered into lease agreements to lease back the equipment for a basic term of twelve months, with an option to renew the lease for two twelve-month terms, at a fixed monthly rental throughout the lease period. The Company has been granted an option to purchase the equipment at the end of each twelve-month term at an amount equal to the higher of the market price or the fixed purchase price as stipulated in the lease agreements. During the year, the Company exercised the option to renew the lease for a twelve-month term and at the balance sheet date, the Company had commitments for minimum future lease payments in respect of the above leasing arrangements falling due within one year of HK\$11,151,000 (2002: HK\$11,151,000). Lease payments under the renewal option for two twelve-month terms which fall due within one year and in the second to fifth year inclusive are HK\$1,161,000 (2002: HK\$1,161,000) and HK\$11,151,000 (2002: HK\$23,463,000) respectively.

Notes to the Financial Statements

For the year ended 20th February 2003

35. PLEDGE OF ASSETS

- (a) At 20th February 2003, the Company's issued debt securities were secured by credit card receivables of HK\$550,167,000 (2002: HK\$663,813,000).
- (b) At 20th February 2003, the Company's bank facilities of HK\$200,000,000 (2002: HK\$200,000,000) were secured by hire purchase debtors of HK\$102,854,000 (2002: HK\$214,014,000). At 20th February 2003, HK\$50,000,000 (2002: HK\$130,000,000) out of the total was utilised by the Company.
- (c) The pledged time deposits include special deposits amounting to HK\$100,494,000 (2002: HK\$100,494,000) maintained pursuant to the terms of the securitisation agreements for the issued debt securities. In 2002, the remaining balance of HK\$20,280,000 represents a pledge to a licensor of a credit card to secure a credit card license granted to the Company.
- (d) The Company also pledged time deposits of HK\$6,000,000 (2002: HK\$11,070,000) to banks to secure the short-term general banking facilities and the sharing of ATM network.

36. FINANCIAL INSTRUMENTS

(a) Derivatives

Derivatives refer to financial contracts whose values depend on the values of one or more underlying assets or indices.

At the balance sheet date, the contractual or notional amounts of each significant class of derivatives for the Company entered into for hedging purposes with financial institutions are summarised as follows:

| | 2003 | 2002 |
|--------------------------|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| Interest rate contracts: | | |
| Swaps | 440,000 | 480,000 |
| Caps | 570,000 | 570,000 |
| Exchange rate contracts: | | |
| Swaps | — | 65,000 |
| | <u>1,010,000</u> | <u>1,115,000</u> |

The contractual or notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts of risk.

Notes to the Financial Statements

For the year ended 20th February 2003

36. FINANCIAL INSTRUMENTS (Cont'd)

- (b) The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agents.
- (c) As a result of the securitisation transaction entered in September 2002, the Company has entered into forward contracts with Nihon (Hong Kong) Company Limited, a special purpose entity (a "SPE") incorporated in Hong Kong formed for the sole purpose of the transaction, to sell credit card receivables to the SPE from time to time in accordance with the terms of the agreement.

37. RETIREMENT BENEFITS SCHEME

The Company operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total cost charged to income of HK\$3,349,000 (2002: HK\$2,408,000) represents contributions payable to the MPF Scheme by the Company in respect of the current accounting period. As at 20th February 2003, contributions of HK\$193,000 (2002: Nil) due in respect of the reporting period had not been paid over to the MPF Scheme.

38. EFFECTS ON CONSOLIDATED FINANCIAL STATEMENTS OF SPECIAL PURPOSE ENTITY

During the year ended 20th February 2003, the Company securitised credit card receivables through the SPE that was specifically set up for this transaction. The Company's continuing involvement in this transaction was primarily limited to the retention of various security interests and servicing rights. Proceeds received at the time of securitisation were HK\$600 million. Related pre-tax gains, including unrealised gains on retained interests (interest only strips and cash reserve accounts), recognised at the time of securitisation and subsequent sales of credit card receivables were HK\$175 million.

At 20th February 2003, the Company retained HK\$733 million in the securitisation trust.

Although the Company has retained significant exposures to returns from the securitised assets, the SPE is not construed as the Company's subsidiary under Section 2(4) of the Hong Kong Companies Ordinance. Accordingly, the SPE has not been consolidated into the Company's financial statements for the year ended 20th February 2003 in accordance with the provisions of paragraph 27 of SSAP 32 "Consolidated Financial Statements And Accounting For Investments In Subsidiaries".

Notes to the Financial Statements

For the year ended 20th February 2003

38. EFFECTS ON CONSOLIDATED FINANCIAL STATEMENTS OF SPECIAL PURPOSE ENTITY (Cont'd)

In accordance with paragraph 46 of SSAP 32, the Company has set out below the details of the effect on the consolidated financial statements of the Company and the SPE for the year ended 20th February 2003 had the exemption given in paragraph 27 of SSAP 32 not applied:

Proforma consolidated income statement:

| | The Company HK\$'000 | Effect of consolidation of SPE HK\$'000 | Effect of equity accounting for associates HK\$'000 | The proforma group HK\$'000 |
|--|----------------------------|--|--|--------------------------------------|
| Turnover | <u>789,201</u> | (7,057) | | <u>782,144</u> |
| Interest income | 659,026 | 92,200 | | 751,226 |
| Interest expense | <u>(143,864)</u> | (5,998) | | <u>(149,862)</u> |
| Net interest income | 515,162 | | | 601,364 |
| Credit card securitisation income | 192,192 | (192,192) | | - |
| Other operating income | 109,899 | (786) | | 109,113 |
| Other loss | <u>(1,500)</u> | | | <u>(1,500)</u> |
| Operating income | 815,753 | | | 708,977 |
| Operating expenses | <u>(274,144)</u> | | | <u>(274,144)</u> |
| Operating profit before charge for bad and doubtful debts | 541,609 | | | 434,833 |
| Charge for bad and doubtful debts | (403,414) | (4,345) | | (407,759) |
| Share of results of associates | - | | (565) | (565) |
| Profit before taxation | 138,195 | | | 26,509 |
| Income tax | <u>(20,890)</u> | 21,195 | | <u>305</u> |
| Net profit for the year | <u>117,305</u> | | | <u>26,814</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

38. EFFECTS ON CONSOLIDATED FINANCIAL STATEMENTS OF SPECIAL PURPOSE ENTITY (Cont'd)

Proforma consolidated balance sheet:

| | The Company HK\$'000 | Effect of consolidation of SPE HK\$'000 | Effect of equity accounting for associates HK\$'000 | The proforma group HK\$'000 |
|---|----------------------------|--|--|--------------------------------------|
| Non-current assets | | | | |
| Property, plant and equipment | 85,744 | | | 85,744 |
| Interest in associates | 10,711 | | (1,582) | 9,129 |
| Investment securities | 9,782 | | | 9,782 |
| Hire purchase debtors | 19,802 | | | 19,802 |
| Instalment loans receivable | 59,259 | | | 59,259 |
| Retained interests in securitisation trust | 231,984 | (231,984) | | – |
| Pledged time deposits | 100,494 | 79,000 | | 179,494 |
| | <u>517,776</u> | | | <u>363,210</u> |
| Current assets | | | | |
| Other investments | 383 | | | 383 |
| Hire purchase debtors | 196,284 | | | 196,284 |
| Instalment loans receivable | 279,818 | | | 279,818 |
| Credit card receivables | 1,085,708 | 998,248 | | 2,083,956 |
| Retained interests in securitisation trust | 500,630 | (500,630) | | – |
| Prepayments, deposits, interest receivable and other debtors | 124,344 | 21,102 | | 145,446 |
| Tax recoverable | – | 20,334 | | 20,334 |
| Pledged time deposits | 6,000 | | | 6,000 |
| Time deposits | 153,580 | | | 153,580 |
| Bank balances and cash | 82,429 | 92,006 | | 174,435 |
| | <u>2,429,176</u> | | | <u>3,060,236</u> |
| Current liabilities | | | | |
| Creditors and accrued charges | 33,305 | | | 33,305 |
| Amount due to securitisation trust | 31,136 | (31,136) | | – |
| Amount due to immediate holding company | 11 | | | 11 |
| Amount due to a fellow subsidiary | 32,928 | | | 32,928 |
| Amount due to ultimate holding company | 47 | | | 47 |
| Issued debt securities | 326,713 | | | 326,713 |
| Bank borrowings – repayable within one year | 651,245 | | | 651,245 |
| Taxation | 861 | (861) | | – |
| | <u>1,076,246</u> | | | <u>1,044,249</u> |
| Net current assets | <u>1,352,930</u> | | | <u>2,015,987</u> |
| Total assets less current liabilities | <u>1,870,706</u> | | | <u>2,379,197</u> |

Notes to the Financial Statements

For the year ended 20th February 2003

38. EFFECTS ON CONSOLIDATED FINANCIAL STATEMENTS OF SPECIAL PURPOSE ENTITY (Cont'd)

| | The Company HK\$'000 | Effect of consolidation of SPE HK\$'000 | Effect of equity accounting for associates HK\$'000 | The proforma group HK\$'000 |
|--|-------------------------|--|--|--------------------------------|
| Capital and reserves | | | | |
| Issued capital | 41,877 | | | 41,877 |
| Share premium and reserves | 1,076,828 | (89,927) | (1,582) | 985,319 |
| | <u>1,118,705</u> | | | <u>1,027,196</u> |
| Non-current liabilities | | | | |
| Bank borrowings – repayable after one year | 750,000 | | | 750,000 |
| Issued debt securities | – | 600,000 | | 600,000 |
| Deferred taxation | 2,001 | | | 2,001 |
| | <u>752,001</u> | | | <u>1,352,001</u> |
| | <u>1,870,706</u> | | | <u>2,379,197</u> |

39. RELATED PARTY TRANSACTIONS

(a) During the year, the Company entered into the following transactions with related parties:

| | | Fellow subsidiary | | Immediate holding company | | Ultimate holding company | | Associate | | AEON Jusco Education and Environment Fund Limited | |
|-----------------------|----|-------------------|------------------|---------------------------|------------------|--------------------------|------------------|------------------|------------------|---|------------------|
| | | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Commission received | a) | <u>18,252</u> | 20,392 | – | – | – | – | – | – | – | – |
| Licence fees received | b) | – | – | <u>203</u> | – | – | – | – | – | – | – |
| Licence fees paid | b) | <u>6,292</u> | 6,723 | – | – | <u>45</u> | 45 | – | – | – | – |
| Service fees paid | c) | – | – | – | – | – | – | <u>8,371</u> | 6,098 | – | – |
| Donation | d) | – | – | – | – | – | – | – | – | <u>2,477</u> | <u>2,422</u> |

- Commission rates payable by the fellow subsidiary to the Company are based on the terms agreed by both parties.
- Licence fees received and paid were calculated in accordance with the licence agreements.
- Service fees paid to an associate are based on the terms agreed by both parties.
- AEON Jusco Education and Environment Fund Limited (the “AEON Jusco Fund”) is a company limited by guarantee and not having a share capital. The Company is a member of the AEON Jusco Fund. The objective of the AEON Jusco Fund is to promote environment protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the People's Republic of China.



Notes to the Financial Statements

For the year ended 20th February 2003

39. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) In addition, the Company sold 2,880,000 shares of AEON Thana Sinsap (Thailand) Public Company Limited, a company incorporated in Thailand with limited liability the shares of which are listed on the Stock Exchange of Thailand Limited, to the immediate holding company and a fellow subsidiary of the Company for a total consideration of HK\$72,431,000.

40. CAPITAL COMMITMENTS

| | 2003 | 2002 |
|--|--------------|---------------|
| | HK\$'000 | HK\$'000 |
| Contracted for, but not provided in the financial statements: | | |
| Purchase of property, plant and equipment | <u>1,963</u> | <u>18,981</u> |