

Notes to the Financial Statements

For the year ended 28 February 2003

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., 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, 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 standards has resulted in the presentation of a statement of changes in equity and a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current year, the Group 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, which were previously presented under a separate heading, are classified as operating, investing and financing 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. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

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 Group 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.

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 subsidiaries made up to 28 February each year.

Investments in subsidiaries

Investments in subsidiaries are 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.

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3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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 ² / ₃ % – 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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

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.

3. Significant Accounting Policies (continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease and contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Investments in securities

Investment securities, which are securities held for an identified long-term strategic purpose, are measured 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 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.

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.

Notes to the Financial Statements

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3. Significant Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded 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 assets and liabilities of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences, if any, are classified as equity and transferred to Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

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.

Geographical segment information about the business by location and market is presented below.

2003

	Year ended 28 February 2003			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
Total revenue	3,224,259	736,854	–	3,961,113
RESULT				
Profit from operations	79,519	3,543	–	83,062
Finance costs	(23)	–	–	(23)
Profit from ordinary activities before taxation	79,496	3,543	–	83,039
Income tax expenses	(19,846)	(9,872)	–	(29,718)
Profit (loss) before minority interest	59,650	(6,329)	–	53,321

	At 28 February 2003			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET				
ASSETS				
Consolidated total assets	961,206	349,689	(15,643)	1,295,252
LIABILITIES				
Segment liabilities	605,446	229,949	(15,643)	819,752
Unallocated corporate liabilities				10,350
Consolidated total liabilities				830,102

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For the year ended 28 February 2003

4. Business and Geographical Segments (continued)

Geographical segments (continued)

	Year ended 28 February 2003		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
OTHER INFORMATION			
Capital additions	10,629	88,979	99,608
Depreciation	68,810	21,389	90,199
Loss on disposal of property, plant and equipment	404	36	440

2002

	Year ended 28 February 2002			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
Total revenue	3,177,714	543,210	–	3,720,924
RESULT				
Profit from operations	78,668	35,805	–	114,473
Finance costs	(125)	–	–	(125)
Profit from ordinary activities before taxation	78,543	35,805	–	114,348
Income tax expenses	(17,100)	(14,831)	–	(31,931)
Profit before minority interest	61,443	20,974	–	82,417

4. Business and Geographical Segments (continued)**Geographical segments (continued)**

2002

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

	Year ended 28 February 2002		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
OTHER INFORMATION			
Capital additions	56,116	19,751	75,867
Depreciation	71,434	13,706	85,140
Loss on disposal of property, plant and equipment	2,479	345	2,824
Impairment losses recognised in income	12,000	–	12,000

Business segments

No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

5. Investment Income

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Dividend income from listed investment securities	493	493
Interest income from bank deposits	4,342	4,654
	4,835	5,147

Notes to the Financial Statements

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6. Pre-operating Expenses

Included in pre-operating expenses are also staff costs of HK\$5,196,000 (2002: HK\$1,773,000).

7. Impairment Loss on Property, Plant and Equipment

The impairment loss in the prior year was 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.

8. Profit from Operations

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,430	1,158
Depreciation		
– owned assets	90,152	85,140
– assets under a finance lease	47	–
	90,199	85,140
Operating lease rentals in respect of		
Rented premises		
– Minimum lease payments	354,195	323,419
– Contingent rent (note)	11,254	8,098
Rented furniture, fixtures and equipment	–	1,600
	365,449	333,117
Retirement benefits scheme contributions, net of forfeited contributions of HK\$665,000 (2002: HK\$1,460,000)	12,965	13,432
Royalties payable to the ultimate holding company	26,363	22,868
Rentals received from licensees		
– minimum lease payments	(153,918)	(150,008)
– contingent rent (note)	(33,358)	(41,724)
	(187,276)	(191,732)

Notes: 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.

9. Finance Costs

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	23	125

10. Directors' Emoluments

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Directors' fees:		
Executive	120	120
Non-executive	793	1,301
	913	1,421
Other emoluments:		
Executive		
Salaries and other benefits	7,226	7,656
Contributions to retirement benefits scheme	128	125
Non-executive	–	–
Total emoluments	8,267	9,202

The amounts disclosed above include directors' fees of HK\$380,000 (2002: HK\$380,000) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	No. of directors	
	2003	2002
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	1
	11	12

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11. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2002: five) were directors of the Company whose emoluments are included in the disclosures in note 10 above.

12. Income Tax Expenses

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	19,745	17,100
Underprovision in previous years	101	–
	19,846	17,100
PRC income tax	9,872	14,831
	29,718	31,931

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

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

13. Dividends

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Final dividend in respect of 2002 of 9.5 HK cents (2001: 13.0 HK cents) per share	24,700	33,800
Interim dividend paid of Nil HK cents (2002: 2.0 HK cent) per share	–	5,200
	24,700	39,000

The final dividend of 9.0 HK cents per ordinary share of HK\$23,400,000 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 Group's net profit for the year of HK\$56,896,000 (2002: HK\$76,958,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the year.

15. 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
THE GROUP					
COST					
At 1 March 2002	565,029	212,242	2,726	11,508	791,505
Translation adjustments	209	55	6	37	307
Additions	33,762	31,917	1,241	32,688	99,608
Transfer	37,585	3,969	–	(41,554)	–
Disposals	–	(809)	–	–	(809)
At 28 February 2003	636,585	247,374	3,973	2,679	890,611
DEPRECIATION					
At 1 March 2002	262,989	128,389	1,289	–	392,667
Translation adjustments	94	22	3	–	119
Provided for the year	61,881	27,802	516	–	90,199
Eliminated on disposals	–	(352)	–	–	(352)
At 28 February 2003	324,964	155,861	1,808	–	482,633
NET BOOK VALUES					
At 28 February 2003	311,621	91,513	2,165	2,679	407,978
At 28 February 2002	302,040	83,853	1,437	11,508	398,838

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15. Property, Plant and Equipment (continued)

	Building fixtures	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY					
COST					
At 1 March 2002	500,508	195,415	988	–	696,911
Additions	3,206	7,035	–	388	10,629
Transfer	260	80	–	(340)	–
Disposals	–	(470)	–	–	(470)
At 28 February 2003	503,974	202,060	988	48	707,070
DEPRECIATION					
At 1 March 2002	234,383	121,711	339	–	356,433
Provided for the year	46,163	22,465	182	–	68,810
Eliminated on disposals	–	(49)	–	–	(49)
At 28 February 2003	280,546	144,127	521	–	425,194
NET BOOK VALUES					
At 28 February 2003	223,428	57,933	467	48	281,876
At 28 February 2002	266,125	73,704	649	–	340,478

The net book values of furniture, fixtures and equipment include an amount of HK\$755,000 (2001: Nil) in respect of assets held under a finance lease.

16. Investments in Subsidiaries

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	64,935	31,227

Particulars of the subsidiaries at 28 February 2003 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered capital	Proportion of registered capital held by the Group	Principal activities
Guangdong Jusco Teem Stores Co., Ltd. ("GDJ")	Equity joint venture	PRC	RMB51,700,000	65%	General merchandise stores
Shenzhen Jusco Friendship Stores Co., Ltd.	Equity joint venture	PRC	RMB55,000,000	65%	General merchandise stores

GDJ has entered into agreements with a PRC party to operate department stores in the PRC. All transactions were carried out in the name of the PRC party. Under the agreements, GDJ is to bear the entire risks and liabilities of those department stores. GDJ will be entitled to 100% of the net profit after deducting a fixed annual amount paid to the PRC party.

At the balance sheet date, the aggregate amount of assets, liabilities and turnover recognised in the financial statements in relation to the operations are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Assets	86,909	36,492
Liabilities	102,198	48,107
Turnover	282,636	156,610

Notes to the Financial Statements

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17. Investment Securities

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 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	12,109

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

18. 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		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within due dates	3,885	3,803	3,552	2,410
Overdue under 30 days	985	145	160	145
Overdue over 30 days	660	2,109	660	2,109
	5,530	6,057	4,372	4,664

19. Amount due from a Fellow Subsidiary**THE GROUP AND THE COMPANY**

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

20. Trade Payables

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within due dates	526,964	466,312	385,885	384,843
Overdue under 30 days	22,737	16,302	6,224	4,947
Overdue over 30 days	28,156	25,955	19,718	20,312
	577,857	508,569	411,827	410,102

21. Amounts due to Fellow Subsidiaries**THE GROUP AND THE COMPANY**

The amounts are unsecured, non-interest bearing and are repayable on demand.

22. Amount due to Ultimate Holding Company**THE GROUP AND THE COMPANY**

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

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23. Obligations under a Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under a finance lease:				
Within one year	200	–	200	–
In the second to fifth years inclusive	551	–	551	–
	751	–	751	–
Less: future finance charges	–	–	–	–
Present value of lease obligations	751	–	751	–
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(200)	–
Amounts due for settlement after 12 months			551	–

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The lease term is 4 years. The lease is interest free, on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. Share Capital

	2003 & 2002 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

25. Share Premium and Reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY			
At 1 March 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
Profit for the year	–	67,880	67,880
Dividend	–	(24,700)	(24,700)
At 28 February 2003	63,158	299,073	362,231

The Company's reserves available for distribution to shareholders as at 28 February 2003 represented the retained profits of HK\$299,073,000 (2002: HK\$255,893,000).

26. Major Non-Cash Transactions

Included in other payables and accrued charges as at 28 February 2003 is an amount of HK\$708,000 (2002: HK\$2,609,000) in respect of the purchase of property, plant and equipment not yet paid at that date.

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$802,000 (2002: Nil).

27. Deferred Taxation

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:				
Shortfall of tax allowances over accounting depreciation	(9,572)	(6,217)	(9,572)	(6,217)
Tax losses arising	(4,832)	–	–	–
Other timing differences	(4,317)	(2,699)	(358)	677
Net deferred taxation asset	(18,721)	(8,916)	(9,930)	(5,540)

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27. Deferred Taxation (continued)

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

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and accounting depreciation	(3,355)	(4,903)
Tax losses arising	(4,832)	–
Other timing differences	(1,618)	1,911
	(9,805)	(2,992)

28. Capital Commitments

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	2,662	13,783	–	–
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	–	50,967	–	–
	2,662	64,750	–	–
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 in respect of rented premises under non-cancellable operating leases, which fall due as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	366,340	345,107	283,802	300,710
In the second to fifth year inclusive	1,323,223	1,344,810	1,036,106	1,136,222
Over five years	1,001,062	1,131,664	815,594	1,056,551
	2,690,625	2,821,581	2,135,502	2,493,483

In addition to the above, twelve (2002: nine) of the leases of the Group and nine (2002: eight) 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.

Operating lease payments represent rentals payable by the Group for its stores and staff quarters. Leases of stores are negotiated for terms ranging from one to ten years and rentals are fixed for one to 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	114,818	94,164	109,753	93,881
In the second to fifth year inclusive	53,570	39,560	47,031	39,486
	168,388	133,724	156,784	133,367

The leases are negotiated for terms ranging from one to six years. In addition to the minimum lease payments, the Group and the Company are 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.

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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.

The employees employed in the PRC subsidiaries 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\$35,000 (2002: HK\$73,000).

31. Related Party Transactions

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

Nature of transaction		2003	2002
		HK\$'000	HK\$'000
Fellow subsidiaries	Commission expenses	18,179	20,388
	Purchase of goods	43,004	37,131
	Rental income from licensees	7,156	7,627
Ultimate holding company	Royalty expenses	26,363	22,868
Minority shareholders of the subsidiaries	Rental expenses and management fees	36,720	29,370

31. Related Party Transactions (continued)

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.

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.

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.

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.

During the year, the Group received dividend income amounting to HK\$493,000 (2002: HK\$493,000) 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\$848,000 (2002: HK\$674,000) 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 the Company's 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:

	2003 HK\$'000	2002 HK\$'000
Amounts due from minority shareholders of the subsidiaries	11,586	10,937