

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Society of Accountants (HKSA). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

Income taxes

In current year, the Group has adopted SSAP12 (Revised) "Income taxes". The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the opening balance on retained profits at 1 March 2003 has been increased by HK\$9,846,000 (1 March 2002: HK\$5,401,000). The profit for the year ended 29 February 2004 has been decreased by HK\$720,000 (2003: increased by HK\$4,445,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

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 and 29 February in current 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $6\frac{2}{3}\%$ – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

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

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

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.

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits schemes

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

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. The locations are the basis on which the Group reports its primary segment information.

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

2004

	Year ended 29 February 2004		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	3,493,438	1,115,363	4,608,801
RESULT			
Profit from operations	100,125	10,911	111,036
Finance costs	(25)	–	(25)
Profit from ordinary activities before taxation	100,100	10,911	111,011
Income tax expenses	(21,468)	(4,021)	(25,489)
Profit before minority interest	78,632	6,890	85,522

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

2004

	At 29 February 2004		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
BALANCE SHEET			
ASSETS			
Segment total assets	1,272,531	420,714	1,693,245
Unallocated corporate assets			9,126
Consolidated total assets			1,702,371
LIABILITIES			
Segment liabilities	868,819	289,723	1,158,542
Unallocated corporate liabilities			8,702
Consolidated total liabilities			1,167,244

	Year ended 29 February 2004		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
OTHER INFORMATION			
Capital expenditure	10,754	56,301	67,055
Depreciation	66,790	38,776	105,566
Loss on disposal of property, plant and equipment	8,378	132	8,510

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

2003 (restated)

	Year ended 28 February 2003		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	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	(15,401)	(9,872)	(25,273)
Profit (loss) before minority interest	64,095	(6,329)	57,766
	At 28 February 2003		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
BALANCE SHEET			
ASSETS			
Segment assets	945,563	349,689	1,295,252
Unallocated corporate assets			9,846
Consolidated total assets			1,305,098
LIABILITIES			
Segment liabilities	605,446	214,306	819,752
Unallocated corporate liabilities			10,350
Consolidated total liabilities			830,102

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

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 expenditure	10,629	88,979	99,608
Depreciation	68,810	21,389	90,199
Loss on disposal of property, plant and equipment	404	36	440

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	
	2004 HK\$'000	2003 HK\$'000
Dividend income from listed investment securities	493	493
Interest income from bank deposits	2,542	4,342
	3,035	4,835

6. PRE-OPERATING EXPENSES

Included in pre-operating expenses were staff costs of HK\$1,071,000 (2003: HK\$5,196,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

7. PROFIT FROM OPERATIONS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,664	1,430
Depreciation		
– owned assets	105,341	90,152
– assets under a finance lease	225	47
	105,566	90,199
Operating lease rentals in respect of rented premises		
– minimum lease payments	348,361	354,195
– contingent rent (<i>Note</i>)	19,581	11,254
	367,942	365,449
Retirement benefits scheme contributions, net of forfeited contributions of HK\$528,000 (2003: HK\$665,000)	14,348	12,965
Royalties payable to the ultimate holding company	32,301	26,363
Rentals received from licensees		
– minimum lease payments	(144,482)	(153,918)
– contingent rent (<i>Note</i>)	(37,731)	(33,358)
	(182,213)	(187,276)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

8. FINANCE COSTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings wholly repayable within five years	25	23

9. DIRECTORS' EMOLUMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	120	120
Non-executive	1,070	793
	1,190	913
Other emoluments:		
Executive		
Salaries and other benefits	5,701	7,226
Contributions to retirement benefits scheme	131	128
Non-executive	-	-
Total emoluments	7,022	8,267

The amounts disclosed above include directors' fees of HK\$380,000 (2003: HK\$380,000) payable to independent non-executive directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

9. DIRECTORS' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	No. of directors	
	2004	2003
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000	1	2
	11	11

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2003: five) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emolument of the remaining four individuals (2003: Nil) was as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other remuneration	5,023	–
Performance based bonus	1,016	–
Contributions to pension scheme	199	–
	6,238	–

Their emoluments were within the band from HK\$1,500,001 to HK\$2,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

11. INCOME TAX EXPENSES

	2004 HK\$'000	2003 HK\$'000 (restated)
The charge comprises:		
Current year		
Hong Kong	20,748	19,745
Other regions in the PRC	3,437	7,671
	24,185	27,416
Underprovision in prior years		
Hong Kong	–	101
Other regions in the PRC	584	2,201
	24,769	29,718
Deferred tax charge (credit) (note 17)		
Current year	1,643	(4,445)
Attributable to a change in tax rate	(923)	–
	720	(4,445)
Income tax expenses for the year	25,489	25,273

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. During the year, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 29 February 2004.

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

Details of the deferred taxation are set out in note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

11. INCOME TAX EXPENSES (continued)

Income tax expenses for the year can be reconciled from taxation based on profit per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	111,011	83,039
Taxation at the applicable rate of 17.5% (2003: 16.0%)	19,427	13,286
Tax effect of expenses that are not deductible in determining taxable profit	5,315	7,166
Tax effect of income that are not taxable in determining taxable profit	(382)	(920)
Tax effect of tax losses not recognised	1,208	649
Tax effect of utilisation of tax losses previously not recognised	(1,184)	(2,047)
Tax effect of utilisation of deductible temporary difference previously not recognised	(170)	–
Tax effect of deductible temporary difference not recognised	–	885
Effect of different tax rates of entities operating in other jurisdiction	1,614	3,952
Underprovision in prior years	584	2,302
Effect on change in tax rate	(923)	–
Income tax expenses	25,489	25,273

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

12. DIVIDENDS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Final dividend in respect of 2003 of 9.0 HK cents (2002: 9.5 HK cents) per share	23,400	24,700
Interim dividend paid of 1.0 HK cents (2003: Nil) per share	2,600	–
	26,000	24,700

The final dividend of 13.0 HK cents per ordinary share has been proposed by the directors and is subject to approval by the Company's 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\$85,844,000 (2003: HK\$61,341,000) and on 260,000,000 (2003: 260,000,000) ordinary shares in issue during the year.

The adjustment to comparative basic earnings per share, arising from the adoption of SSAP 12 (Revised), is as follows:

	HK cents
Reconciliation of 2003 basic earnings per share:	
Reported figure before adjustment	21.88
Adjustment arising from the adoption of SSAP 12 (Revised)	1.71
Restated	23.59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Building fixtures	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
COST					
At 1 March 2003	636,585	247,374	3,973	2,679	890,611
Translation adjustments	1,215	415	27	24	1,681
Additions	8,316	11,482	658	46,599	67,055
Transfer	38,543	7,164	–	(45,707)	–
Disposals	(53,236)	(18,760)	(693)	–	(72,689)
At 29 February 2004	631,423	247,675	3,965	3,595	886,658
DEPRECIATION					
At 1 March 2003	324,964	155,861	1,808	–	482,633
Translation adjustments	407	107	12	–	526
Provided for the year	75,569	29,385	612	–	105,566
Eliminated on disposals	(46,908)	(16,572)	(301)	–	(63,781)
At 29 February 2004	354,032	168,781	2,131	–	524,944
NET BOOK VALUES					
At 29 February 2004	277,391	78,894	1,834	3,595	361,714
At 28 February 2003	311,621	91,513	2,165	2,679	407,978

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

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
THE COMPANY					
COST					
At 1 March 2003	503,974	202,060	988	48	707,070
Additions	4,448	5,240	176	890	10,754
Transfer	221	190	–	(411)	–
Disposals	(53,236)	(18,353)	(179)	–	(71,768)
At 29 February 2004	455,407	189,137	985	527	646,056
DEPRECIATION					
At 1 March 2003	280,546	144,127	521	–	425,194
Provided for the year	46,306	20,266	218	–	66,790
Eliminated on disposals	(46,908)	(16,262)	(170)	–	(63,340)
At 29 February 2004	279,944	148,131	569	–	428,644
NET BOOK VALUES					
At 29 February 2004	175,463	41,006	416	527	217,412
At 28 February 2003	223,428	57,933	467	48	281,876

The net book values of furniture, fixtures and equipment of the Group include an amount of HK\$572,400 (2003: HK\$755,000) in respect of assets held under a finance lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted investments, at cost	64,936	64,935

Particulars of the subsidiaries at 29 February 2004 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered/ ordinary share capital	Proportion of registered/ issued capital held by the Group	Principal activities
Guangdong Jusco Teem Stores Co., Ltd. ("GDJ")	Sino-foreign equity joint venture	PRC	RMB51,700,000	65%	General merchandise stores
Shenzhen Jusco Friendship Stores Co., Ltd.	Sino-foreign equity joint venture	PRC	RMB55,000,000	65%	General merchandise stores
Jusco Stores (Hong Kong) Co., Limited 吉之島(香港)百貨有限公司 (formerly known as AEON Stores (Hong Kong) Co., Limited 永旺(香港)百貨有限公司)	Incorporated	Hong Kong	HK\$1,000	100%	Inactive

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

15. INVESTMENTS IN SUBSIDIARIES (continued)

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	
	2004 HK\$'000	2003 HK\$'000
Assets	149,727	86,909
Liabilities	164,484	102,198
Turnover	533,656	282,636

16. INVESTMENT SECURITIES

	THE GROUP AND THE COMPANY	
	2004 HK\$'000	2003 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	22,515	9,933

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

17. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting periods:

	THE GROUP AND THE COMPANY		
	Accelerated accounting depreciation HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 March 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	6,041	(640)	5,401
– as restated	6,041	(640)	5,401
Credit to income for the year	3,532	913	4,445
At 28 February 2003	9,573	273	9,846
Charge to income for the year	(1,643)	–	(1,643)
Effect of change in tax rate – credit to income	897	26	923
At 29 February 2004	8,827	299	9,126

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current assets.

At the balance sheet date, the Group has unused tax losses of approximately HK\$17,148,000 (2003: HK\$16,854,000) available for offset against future profits and temporary differences in respect of allowance for doubtful debts, accrued rental expenses and pre-operating expenses written off of approximately HK\$15,622,000 (2003: HK\$16,543,000). A deferred tax asset has been recognised in respect of HK\$1,709,000 (2003: HK\$1,709,000) for such temporary differences. No deferred tax asset has been recognised in respect of the unused tax losses and the remaining temporary differences of HK\$13,913,000 (2003: HK\$14,834,000) due to unpredictability of future profit streams for certain subsidiaries.

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Included in unrecognised tax losses above are losses that will expire in:		
28 February 2007	10,247	16,854
29 February 2008	6,901	–
	17,148	16,854

The Company has no significant unrecognised temporary difference at the balance sheet date.

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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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within due dates	15,451	3,885	11,389	3,552
Overdue under 30 days	61	985	62	160
Overdue over 30 days	10	660	–	660
	15,522	5,530	11,451	4,372

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within due dates	778,221	526,964	614,672	385,885
Overdue under 30 days	48,390	22,737	12,505	6,224
Overdue over 30 days	38,771	28,156	19,796	19,718
	865,382	577,857	646,973	411,827

21. AMOUNT DUE TO A FELLOW SUBSIDIARY**THE GROUP AND THE COMPANY**

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

NOTES TO THE FINANCIAL STATEMENTS

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22. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

THE GROUP AND THE COMPANY

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

23. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP				
Amounts payable under a finance lease:				
Within one year	202	200	202	200
In the second to fifth years inclusive	287	551	287	551
	489	751	489	751
Less: future finance charges	–	–	–	–
Present value of lease obligations	489	751	489	751
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(202)	(200)
Amounts due for settlement after 12 months			287	551

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The lease is arranged with AEON Information Service (Shenzhen) Co., Ltd., an associate of Aeon Credit Services (Asia) Company Limited. 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.

The Group's obligations under a finance lease are secured by the lessor's charge over the leased assets.

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24. SHARE CAPITAL

	2004 & 2003
	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	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
THE COMPANY			
At 1 March 2002			
– as originally stated	63,158	255,893	319,051
– prior period adjustment	–	5,401	5,401
– as restated	63,158	261,294	324,452
Profit for the year	–	72,325	72,325
Dividend	–	(24,700)	(24,700)
At 28 February 2003	63,158	308,919	372,077
Profit for the year	–	87,474	87,474
Dividends	–	(26,000)	(26,000)
At 29 February 2004	63,158	370,393	433,551

The Company's reserves available for distribution to shareholders as at 29 February 2004 represented the retained profits of HK\$370,393,000 (2003: HK\$308,919,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

26. MAJOR NON-CASH TRANSACTIONS

Included in other payables and accrued charges as at 29 February 2004 is an amount of HK\$2,460,000 (2003: HK\$708,000) 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 Nil (2003: HK\$802,000).

27. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	19,557	2,662	716	–

28. 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	364,741	366,340	277,852	283,802
In the second to fifth year inclusive	1,305,421	1,323,223	972,997	1,036,106
Over five years	1,038,228	1,001,062	628,861	815,594
	2,708,390	2,690,625	1,879,710	2,135,502

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

28. OPERATING LEASE ARRANGEMENTS (continued)

In addition to the above, fourteen (2003: twelve) of the leases of the Group and eleven (2003: nine) 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 eighteen years and rentals are fixed for one to three years. Leases of staff quarters are negotiated for terms ranging from one to 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	70,854	114,818	66,436	109,753
In the second to fifth year inclusive	16,103	53,570	13,812	47,031
	86,957	168,388	80,248	156,784

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

29. RETIREMENT BENEFITS SCHEMES

The Company 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 subsidiaries are 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\$40,000 (2003: HK\$35,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

30. RELATED PARTY TRANSACTIONS

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

Nature of transaction		2004 HK\$'000	2003 HK\$'000
Fellow subsidiaries	Commission expenses	13,797	18,179
	Purchase of goods	50,421	43,004
	Rental income from licensees	6,726	7,156
Ultimate holding company	Royalty expenses	32,301	26,363
Minority shareholders of the subsidiaries	Rental expenses and management fees	41,018	36,720

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 (2003: HK\$493,000) from a fellow subsidiary which was based on the percentage of equity interests in that fellow subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 February 2004

30. RELATED PARTY TRANSACTIONS (continued)

In addition to the above, the Group has donated HK\$877,000 (2003: HK\$848,000) to AEON Education and Environment Fund Limited (formerly known as 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:

	2004	2003
	HK\$'000	HK\$'000
Amounts due from minority shareholders of the subsidiaries	20,254	11,586