

Notes to the Financial Statements p.29

For the period from 1 March 2004 to 31 December 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. Basis of Preparation of Financial Statements

The financial statements for the current period cover the ten months period ended 31 December 2004. The corresponding amounts shown for the income statement, statement of changes in equity, cash flows and related notes covered a twelve month period from 1 March 2003 to 29 February 2004 and therefore may not be comparable with amounts shown for the current period.

3. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the period ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. 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 29 February for the prior periods and 31 December in the current period.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

For the period from 1 March 2004 to 31 December 2004

4. Significant Accounting Policies (Continued)

Revenue recognition

Sales are recognised when goods are sold.

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

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

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

Property, plant and equipment

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

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

Depreciation is provided to write off the cost or remaining net book values of property, plant and equipment, other than construction in progress, over the estimated useful lives using the straight line method.

In previous years and for the current period from 1 March 2004 to 31 August 2004. The rates of depreciation used and their estimated residual values were 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

For the period from 1 March 2004 to 31 December 2004

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

During the period, the management reassessed the useful lives and residual values of its assets. With effect from 1 September 2004, the remaining net book values of property, plant and equipment are depreciated at the following rates:

Building fixtures	Over the expected useful lives or, where shorter, the term of the relevant lease on a straight line basis
Furniture fixtures and equipment	6 $\frac{2}{3}$ % – 25% per annum
Motor vehicles	20% – 25% per annum

The change in depreciation rates has increased the depreciation charge for the period by approximately HK\$10,603,000.

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 incurrence.

The gain or loss arising on the 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.

For the period from 1 March 2004 to 31 December 2004

4. Significant Accounting Policies (Continued)

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. An 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 merchandise held for resale, are stated at the lower of cost and net realisable value and are 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 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.

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.

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 period. 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.

For the period from 1 March 2004 to 31 December 2004

4. Significant Accounting Policies (Continued)

Taxation (continued)

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 taxable 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.

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.

5. Turnover and Segment Information

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

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 of operations are the basis on which the Group reports its primary segment information.

For the period from 1 March 2004 to 31 December 2004

5. Turnover and Segment Information (Continued)

Geographical segments (Continued)

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

For the period from 1 March 2004 to 31 December 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	2,878,006	1,102,994	3,981,000
Result			
Profit from operations	93,209	13,397	106,606
Finance costs	(9)	–	(9)
Profit from ordinary activities before taxation	93,200	13,397	106,597
Income tax expenses	(20,704)	(3,726)	(24,430)
Profit before minority interest	72,496	9,671	82,167
Minority interest	–	(2,706)	(2,706)
Net profit for the period	72,496	6,965	79,461

At 31 December 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Balance Sheet			
Assets			
Segment assets	1,171,461	481,881	1,653,342
Unallocated corporate assets			10,922
Consolidated total assets			1,664,264
Liabilities			
Segment liabilities	748,079	333,018	1,081,097
Unallocated corporate liabilities			10,264
Consolidated total liabilities			1,091,361

For the period from 1 March 2004 to 31 December 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Other Information			
Capital expenditures	25,281	57,213	82,494
Depreciation	60,153	38,801	98,954
Loss on disposal of property, plant and equipment	2,127	203	2,330

For the period from 1 March 2004 to 31 December 2004

5. Turnover and Segment Information (Continued)**Geographical segments (Continued)**

For the 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
Minority interest	—	322	322
Net profit for the year	78,632	7,212	85,844

At 29 February 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Balance Sheet			
Assets			
Segment 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

For the year ended 29 February 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Other Information			
Capital expenditures	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

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.

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6. Investment Income

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Dividend income from listed investment securities	550	493
Interest income from bank deposits	1,938	2,542
	2,488	3,035

7. Pre-operating Expenses

Included in pre-operating expenses were staff costs of HK\$2,761,563 (1.3.2003 to 29.2.2004: HK\$1,071,000).

8. Profit from Operations

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,817	1,664
Depreciation		
– owned assets	98,719	105,341
– assets under a finance lease	235	225
	98,954	105,566
Operating lease rentals in respect of Rented premises		
– minimum lease payments	303,201	348,361
– contingent rent (<i>Note</i>)	11,035	19,581
	314,236	367,942
Retirement benefits scheme contributions, net of forfeited contributions of HK\$881,000 (1.3.2003 to 29.2.2004: HK\$528,000)	17,499	14,348

For the period from 1 March 2004 to 31 December 2004

8. Profit from Operations (Continued)

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Royalties payable to the ultimate holding company	28,235	32,301
Rentals received from licensees		
– minimum lease payments	(125,878)	(144,482)
– contingent rent (Note)	(31,769)	(37,731)
	(157,647)	(182,213)

Note: Contingent rent payments/receipts 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

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Interest on bank borrowings wholly repayable within five years	9	25

10. Directors' Emoluments

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Directors' fees:		
Executive	100	120
Non-executive	923	1,070
	1,023	1,190
Other emoluments:		
Executive		
Salaries and other benefits	4,752	5,701
Contributions to retirement benefits scheme	113	131
Non-executive	–	–
Total emoluments	5,888	7,022

The amounts disclosed above include directors' fees of HK\$348,000 (1.3.2003 to 29.2.2004: HK\$380,000) payable to independent non-executive directors.

For the period from 1 March 2004 to 31 December 2004

10. Directors' Emoluments (Continued)

The emoluments of the directors were within the following bands:

	No. of Directors	
	1.3.2004 to 31.12.2004	1.3.2003 to 29.2.2004
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	1
	10	11

11. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, one (1.3.2003 to 29.2.2004: one) was a director of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining four individuals (1.3.2003 to 29.2.2004: four) were as follows:

	HK\$'000	
	1.3.2004 to 31.12.2004	1.3.2003 to 29.2.2004
Salaries and other remuneration	4,088	5,023
Performance based bonus	1,170	1,016
Contributions to pension scheme	318	199
	5,576	6,238

	No. of Employees	
	1.3.2004 to 31.12.2004	1.3.2003 to 29.2.2004
HK\$1,000,001 to HK\$1,500,000	3	–
HK\$1,500,001 to HK\$2,000,000	1	4

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12. Income Tax Expenses

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
The charge comprises:		
Current period/year		
Hong Kong	22,500	20,748
Other regions in the PRC	4,247	3,437
	26,747	24,185
(Over) underprovision in prior years		
Other regions in the PRC	(521)	584
	26,226	24,769
Deferred tax (credit) charge (<i>note 18</i>)		
Current period/year	(1,796)	1,643
Attributable to a change in tax rate	–	(923)
	(1,796)	720
Income tax expenses for the period/year	24,430	25,489

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period/year.

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 18.

Income tax expenses for the period/year can be reconciled from taxation based on profit from ordinary activities before taxation in the consolidated income statement as follows:

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Profit before taxation	106,597	111,011
Taxation at the applicable rate of 17.5%	18,654	19,427
Tax effect of expenses that are not deductible in determining taxable profit	4,957	5,315
Tax effect of income that are not taxable in determining taxable profit	(212)	(382)
Tax effect of tax losses not recognised	895	1,208
Tax effect of utilisation of tax losses previously not recognised	(1,396)	(1,184)
Tax effect of utilisation of deductible temporary difference previously not recognised	(280)	(170)
Tax effect of deductible temporary difference not recognised	338	–
Effect of different tax rates of entities operating in the PRC	1,995	1,614
(Over) underprovision in prior years	(521)	584
Effect of change in tax rate	–	(923)
Income tax expenses	24,430	25,489

For the period from 1 March 2004 to 31 December 2004

13. Dividends

	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Final dividend in respect of the year ended 29.2.2004 of 13 HK cents (1.3.2002 to 28.2.2003: 9 HK cents) per share	33,800	23,400
Interim dividend of 4 HK cents (1.3.2003 to 29.2.2004: 1 HK cent) per share	10,400	2,600
	44,200	26,000

The final dividend of 8.5 HK cents per ordinary share has been proposed by the directors and is subject to approval by the Company's shareholders in general meeting.

14. Earnings per Share

The calculation of earnings per share is based on the Group's net profit for the current period of HK\$79,461,000 (1.3.2003 to 29.2.2004: HK\$85,844,000) and on 260,000,000 (1.3.2003 to 29.2.2004: 260,000,000) ordinary shares in issue during the period/year.

For the period from 1 March 2004 to 31 December 2004

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 2004	631,423	247,675	3,965	3,595	886,658
Translation adjustments	(188)	(63)	(3)	(3)	(257)
Additions	11,762	12,982	538	57,212	82,494
Transfer	45,644	14,435	–	(60,079)	–
Disposals	(7,663)	(4,444)	(259)	–	(12,366)
At 31 December 2004	680,978	270,585	4,241	725	956,529
Depreciation					
At 1 March 2004	354,032	168,781	2,131	–	524,944
Translation adjustments	(80)	(22)	(2)	–	(104)
Provided for the period	69,229	29,042	683	–	98,954
Eliminated on disposals	(5,723)	(3,969)	(233)	–	(9,925)
At 31 December 2004	417,458	193,832	2,579	–	613,869
Net Book Values					
At 31 December 2004	263,520	76,753	1,662	725	342,660
At 29 February 2004	277,391	78,894	1,834	3,595	361,714

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For the period from 1 March 2004 to 31 December 2004

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 2004	455,407	189,137	985	527	646,056
Additions	9,911	5,623	–	9,747	25,281
Transfer	7,685	2,038	–	(9,723)	–
Disposals	(7,663)	(3,294)	–	–	(10,957)
At 31 December 2004	465,340	193,504	985	551	660,380
Depreciation					
At 1 March 2004	279,944	148,131	569	–	428,644
Provided for the period	40,584	19,333	236	–	60,153
Eliminated on disposals	(5,723)	(3,070)	–	–	(8,793)
At 31 December 2004	314,805	164,394	805	–	480,004
Net Book Values					
At 31 December 2004	150,535	29,110	180	551	180,376
At 29 February 2004	175,463	41,006	416	527	217,412

The net book value of furniture, fixtures and equipment of the Group includes an amount of HK\$491,557 (29.2.2004: HK\$572,400) in respect of assets held under a finance lease.

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16. Investments in Subsidiaries

	The Company	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Unlisted investments, at cost	72,011	64,936

Particulars of the subsidiaries at 31 December 2004 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered/ ordinary share capital	Proportion of registered/ issued capital directly 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 Aeon Friendship Co., Ltd.	Sino-foreign equity joint venture	PRC	RMB55,000,000	65%	General merchandise stores
AEON (China) Co., Ltd.	Wholly owned foreign enterprise	PRC	RMB7,500,000	100%	General merchandise stores
Jusco Stores (Hong Kong) Co., Limited	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.

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16. 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	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Assets	124,479	149,727
Liabilities	141,193	164,484
	1.3.2004 to 31.12.2004 HK\$'000	1.3.2003 to 29.2.2004 HK\$'000
Turnover	530,214	533,656

17. Investment Securities

	The Group and The Company	
	31.12.2004 HK\$'000	29.2.2004 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	19,866	22,515

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

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18. Deferred Taxation

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

	The Group and the Company		
	Accelerated accounting depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 March 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 1 March 2004	8,827	299	9,126
Credit to income for the period	1,790	6	1,796
At 31 December 2004	10,617	305	10,922

At the balance sheet date, the Group has unused tax losses of approximately HK\$14,267,000 (29.2.2004: HK\$17,148,000) 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\$15,980,000 (29.2.2004: HK\$15,622,000). A deferred tax asset has been recognised in respect of HK\$1,743,000 (29.2.2004: 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\$14,237,000 (29.2.2004: HK\$13,913,000) due to the unpredictability of future profit streams for certain subsidiaries.

	The Group	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Included in unrecognised tax losses above are losses that will expire in:		
31 December 2007	–	8,333
31 December 2008	8,631	8,815
31 December 2009	5,636	–
	14,267	17,148

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

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19. 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	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Within due dates	16,192	15,451	10,727	11,389
Overdue under 30 days	110	61	110	62
Overdue over 30 days	–	10	–	–
	16,302	15,522	10,837	11,451

20. Amounts due from Fellow Subsidiaries

The Group and the Company

The amounts are aged within due dates, unsecured, non-interest bearing and are repayable on demand.

21. Trade Payables

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

	The Group		The Company	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Within due dates	618,346	778,221	441,440	614,672
Overdue under 30 days	46,163	48,390	8,874	12,505
Overdue over 30 days	45,440	38,771	22,021	19,796
	709,949	865,382	472,335	646,973

22. Amounts due to Fellow Subsidiaries

The Group and the Company

The amounts are aged within due dates, unsecured, non-interest bearing and are repayable on demand.

23. 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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24. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
The Group				
Amounts payable under finance leases:				
Within one year	298	202	298	202
In the second to fifth years inclusive	261	287	261	287
	559	489	559	489
Less: future finance charges	–	–	–	–
Present value of lease obligations	559	489	559	489
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(298)	(202)
Amounts due for settlement after 12 months			261	287

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, a fellow subsidiary. 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 finance leases are secured by the lessor's charge over the leased assets.

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25. Share Capital

	31.12.2004 & 29.2.2004 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

26. Share Premium and Reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Company			
At 1 March 2003	63,158	308,919	372,077
Profit for the year	–	87,474	87,474
Dividends	–	(26,000)	(26,000)
At 1 March 2004	63,158	370,393	433,551
Profit for the period	–	80,514	80,514
Dividends	–	(44,200)	(44,200)
At 31 December 2004	63,158	406,707	469,865

The Company's reserves available for distribution to shareholders as at 31 December 2004 represented the retained profits of HK\$406,707,000 (29.2.2004: HK\$370,393,000).

For the period from 1 March 2004 to 31 December 2004

27. Major Non-cash Transactions

Included in other payables and accrued charges as at 31 December 2004 is an amount of HK\$4,677,000 (29.2.2004: HK\$2,460,000) in respect of the purchase of property, plant and equipment not yet paid at that date.

During the period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$191,000 (29.2.2004: Nil).

28. Capital Commitments

	The Group		The Company	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	19,557	–	716

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	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Within one year	376,353	364,741	286,085	277,852
In the second to fifth year inclusive	1,152,967	1,305,421	834,795	972,997
Over five years	651,162	1,038,228	195,753	628,861
	2,180,482	2,708,390	1,316,633	1,879,710

For the period from 1 March 2004 to 31 December 2004

29. Operating Lease Arrangements (Continued)

In addition to the above, twenty (29.2.2004: fourteen) of the leases of the Group and fourteen (29.2.2004: eleven) 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	
	31.12.2004 HK\$'000	29.2.2004 HK\$'000	31.12.2004 HK\$'000	29.2.2004 HK\$'000
Within one year	112,511	70,854	101,599	66,436
In the second to fifth year inclusive	60,412	16,103	50,535	13,812
	172,923	86,957	152,134	80,248

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 rents 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 participates 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 MPF 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\$44,000 (29.2.2004: HK\$40,000).

For the period from 1 March 2004 to 31 December 2004

31. Related Party Transactions

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

Nature of transaction		1.3.2004	1.3.2003
		to	to
		31.12.2004	29.2.2004
		HK\$'000	HK\$'000
Fellow subsidiaries	Commission expenses	9,346	13,797
	Purchase of goods	41,208	50,421
	Rental income from licensees	(5,105)	(6,726)
Ultimate holding company	Royalty expenses	28,235	32,301
Associate of a fellow subsidiary	Consultancy fee	107	–
	Rental income from licensees	(47)	–
Minority shareholders of the subsidiaries	Rental expenses and management fees	40,741	41,018

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, consultancy fee, 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.

For the period from 1 March 2004 to 31 December 2004

31. Related Party Transactions (Continued)

During the period/year, the Group received dividend income amounting to HK\$550,000 (1.3.2003 to 29.2.2004: 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\$1,089,000 (1.3.2003 to 29.2.2004: HK\$877,000) to AEON 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:

	31.12.2004	29.2.2004
	HK\$'000	HK\$'000
Amounts due from minority shareholders of the subsidiaries	23,859	20,254