

JUSCO  
吉之島

JUSCO

Annual Report 2001/2002

AEON

AEON Group

JUSCO STORES (HONG KONG) CO., LIMITED

JUSCO Stores (Hong Kong) Co., Limited, which operates under the ÆON Group, established its first store in Hong Kong in 1987 and was listed on the Stock Exchange of Hong Kong in 1994. The Company is now operating 8 General Merchandise Stores (GMS) in Hong Kong and 3 GMS in the Guangdong province, the PRC.

The ÆON Group is an integrated retailing and service group consisting of JUSCO and its 112 subsidiaries and 35 affiliated companies. From its base in Japan, the ÆON Group's activities have expanded to encompass 11 countries in regions that include Asia, North America and Europe. Today **the ÆON Group is one of Asia's leading retail organisations.**

# Mission Statement

Our principle is to place "Customer First" at all times. We also emphasise three key words, which make up the essence and character of the retail industry: "peace", "people" and "community". These precepts remain the same wherever we are doing business and we strive to act as a good corporate citizen of the local community.

Our strategy is to provide a wide-range of quality daily necessities at reasonable prices for our customers.

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# Corporate Information

## BOARD OF DIRECTORS

### *Executive Directors*

Kazumasa ISHII (Managing Director)

Shinobu WASHIZAWA

WONG Mun Yu

LAM Man Tin

### *Non-Executive Directors*

Toshiji TOKIWA (Chairman)

Akihito TANAKA

Motoyo OKADA

### *Independent Non-Executive Directors*

SHAO You Bao

LAM Pei Peggy

## COMPANY SECRETARY

HENG Kwoo Seng, FCA, AHKSA, CPA

## AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

## BANKERS

Mizuho Corporate Bank, Ltd.

The Bank of Tokyo – Mitsubishi, Ltd.

Sumitomo Mitsui Banking Corporation

UFJ Bank Limited

Standard Chartered Bank

The Hong Kong and Shanghai Banking Corporation  
Limited

## SHARE REGISTRARS

Secretaries Limited

5th Floor, Wing On Centre

111 Connaught Road Central, Hong Kong

## REGISTERED OFFICE

G-4th Floor, Kornhill Plaza (South)

2 Kornhill Road, Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3rd Floor, Stanhope House, 738 King's Road

Quarry Bay, Hong Kong

Tel : (852)2565 3600 Fax : (852)2563 8654

Website: <http://www.jusco.com.hk>

## HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Guangdong JUSCO Teem Stores Co., Ltd.

Basement 1, Tianhe Place, 208 Tianhe Road

Guangzhou, the PRC

## STORES LIST

### STORES – HONG KONG

#### KORNHILL STORE

Floor Area: 261,000 sq.ft.

#### TSEUNG KWAN O STORE

Floor Area: 164,000 sq.ft.

#### TSUEN WAN STORE

Floor Area: 116,000 sq.ft.

#### TSZ WAN SHAN STORE

Floor Area: 86,000 sq.ft.

#### LOK FU STORE

Floor Area: 148,000 sq.ft.

#### WHAMPOA STORE

Floor Area: 187,000 sq.ft.

#### TAI PO STORE

Floor Area : 85,000 sq.ft.

#### TUEN MUN STORE

Floor Area: 152,000 sq.ft.

### STORES – THE PRC

#### GUANGZHOU TEEM PLAZA STORE

Floor Area: 123,000 sq.ft.

#### GUANGZHOU CHINA PLAZA STORE

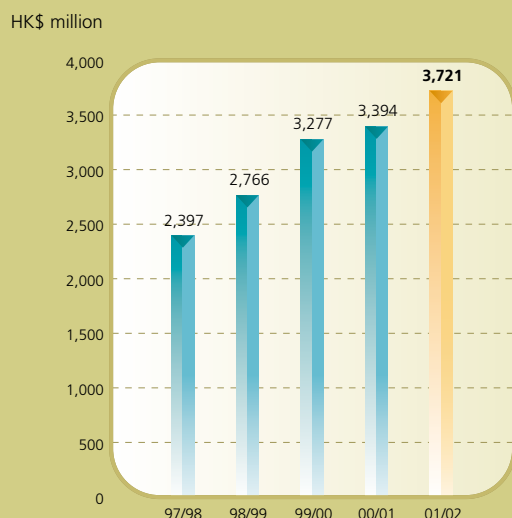
Floor Area: 156,000 sq.ft.

#### DONGGUAN GARDEN TRADE PLAZA STORE

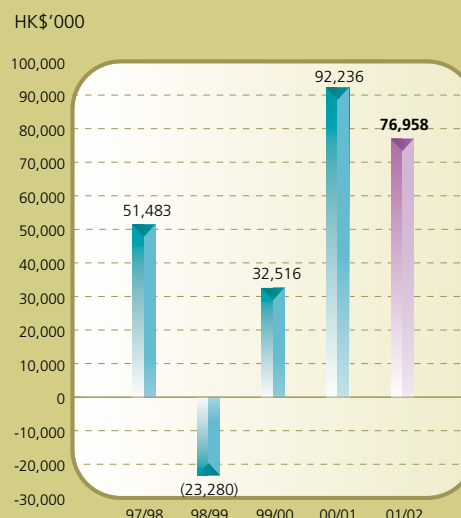
Floor Area: 155,000 sq.ft.

# Financial Highlights

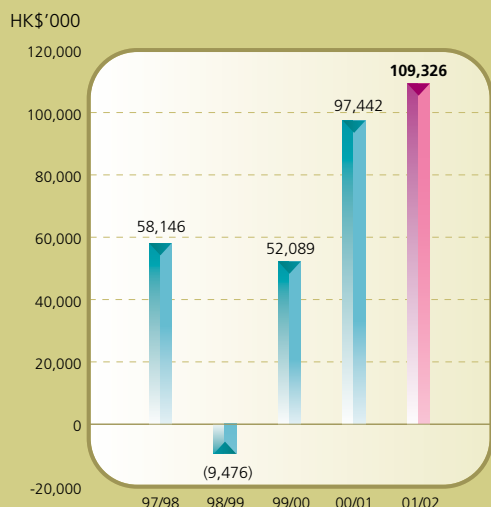
## TURNOVER



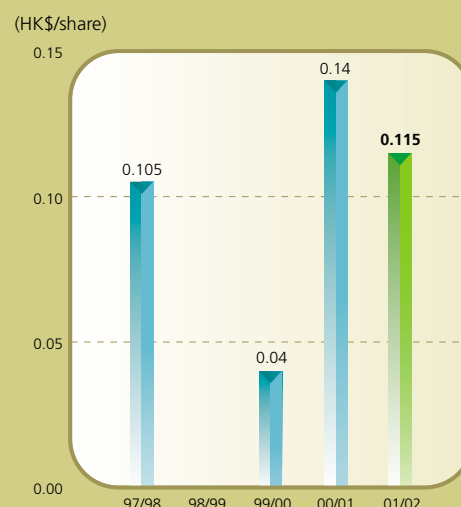
## PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS



## PROFIT/(LOSS) FROM OPERATION



## DIVIDEND PER SHARE



## FINANCIAL RESULTS

	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
<b>Turnover (HK\$ million)</b>	2,397	2,766	3,277	3,394	3,721
Breakdown					
– Fashion	20%	21%	23%	24%	22%
– Food	27%	28%	25%	27%	28%
– Household	48%	45%	44%	41%	43%
– Catering	5%	6%	8%	8%	7%
<b>Profit/(loss) from operation (HK\$'000)</b>	58,146	(9,476)	52,089	97,442	109,326
<b>Profit/(loss) attributable to shareholders (HK\$'000)</b>	51,483	(23,280)	32,516	92,236	76,958
<b>Dividend per share (HK\$/share)</b>	0.105	–	0.040	0.140	0.115

# Chairman's Statement



## Marching towards 2002 a Global Enterprise

Toshiji TOKIWA, Chairman

2001 was a tough year for retailers as the retail market worldwide was undergoing a consolidation and restructuring process. Yet, as one of the market leaders in the retail business, JUSCO Stores (Hong Kong) Co., Limited thrived the harsh economic environment and recorded satisfactory results during the review year. Turnover has risen 9.6% reaching HK\$3,721 million for the year under review. However, because of the increase in income tax expenses which amounted to HK\$32 million, profit attributable to shareholders recorded a fall from last year's HK\$92 million to this year's HK\$77 million.

Being a core member of AEON Group, JUSCO Stores (Hong Kong) Co., Limited will continue to strive for satisfactory performance in 2002 and beyond, aiming to become the best retailer in the South China region. By adhering to AEON Group's fundamental philosophy, "Customer First", we are confident that JUSCO Stores (Hong Kong) Co., Limited will achieve this goal in the foreseeable future.

With today's accelerated globalisation, all industries and companies need to do businesses from a global perspective as the ability to realise quality management at the global standard is the sole key for survival. Thus, in face of this challenge, it is essential for our Group to continue to strive for excellence, further consolidate our foundation, and have ceaseless passion for reforms.

To realise our vision of becoming "one of the world's top 10 enterprises", it is necessary for AEON Group to restructure business models, strengthen the financial structure, establish corporate morality and roll out a brand strategy.

Companies succeeding in building an innovative business model with low-cost and low price structure are the ones to flourish in the increasingly globalised economy. To achieve this, AEON Group has to undergo a cost structural reform to lower product sourcing costs as well as sales and administrative expenses. In 2001, through screening and focusing, AEON Group has already restructured and unified some businesses and companies, which tremendously helped save expenses. Rent for land and stores also went down during the review year, which succeeded in lowering our costs further.

Strengthening our financial structure will also be a crucial step for AEON to become one of the top 10 enterprises in the world. In the years to come, it will be one of the core tasks of our management to enhance AEON Group's long-term loan position, reduce interest-bearing loans, generate more operating cashflow and further enhance profitability. These targets will be achieved through prudent selection of investment and financing projects as well as stringent inventory control. Besides, we will also adopt business strategies incorporating proactive tactics so as to react swiftly to the ever-changing needs of the market.

To realise the Group's vision and achieve business targets, it is essential for us to establish corporate morality which helps extend and cultivate the AEON corporate culture of "Innovation", "Corporate Citizenship" and "Customer First". By doing so, we will certainly make a big step forward towards our goal of establishing AEON as an internationally renowned brand.

The ability to match concepts with practices is most vital in successfully establishing a brand. As AEON is a business that involves extensive and daily direct contact with customers, we believe by instilling the moral principle in the organisation, all AEON staff will be able to bring the AEON philosophy of "Customer First" into practice in a unified way. Last year, through organising the "AEON 21 Campaign", we received numerous comments from our patrons. This encouraging response is extremely valuable to us, as it is a proof of the trustful relations we have built up along the way and the comments all express customers' further expectation on AEON.

In the 21st century, intangible assets such as brand name and knowledge are important sources for competitiveness. To effectively increase public recognition of the AEON brand, the image of AEON logo has been rearranged and its rules of use have been formulated. As the implementation of brand strategy is essential for unifying the whole AEON Group, we will continue to push it further, which I believe, is tremendously important for the growth of our Group.

In conclusion, the AEON Group will continue to innovate itself from the viewpoint of customers and commit itself to the "Customer First" principle. Entering Year 2002, we will strive hard to increase our tempo and power to march towards our goal of becoming one of the top 10 enterprises in the world. To accomplish this, I sincerely look forward to the participation of our shareholders, business patrons and staff whose support is always the founding stone for our success.



**Toshiji TOKIWA**

Chairman

Hong Kong, 10 May 2002

# Management Discussion

## *and Analysis*



**Kazumasa ISHII,**  
Managing Director

### RESULTS

JUSCO Stores (Hong Kong) Co., Limited (the "Company") and its subsidiary (the "Group") recorded a turnover of HK\$3,721 million for the year ended 28 February 2002, representing a rise of 9.6% in comparison to last year's figure of HK\$3,394 million. Profit attributable to shareholders recorded a fall of 16.6% to HK\$77 million due to the increase in income tax expenses which amounted to HK\$32 million. Earnings per share were 29.60 HK cents. (2001: 35.48HK cents)

### DIVIDENDS

The Board of Directors has recommended a final dividend of 9.5 HK cents per share (2001: 13.0 HK cents) to be paid on or before 8 August 2002, subject to shareholders approval at the forthcoming annual general meeting on 20 June 2002. The total dividend for the year will be 11.5 HK cents (2001: 14.0 HK cents) as an interim dividend of 2.0 HK cents were declared during the year.

### FINANCIAL REVIEW

In spite of the stagnant retail market, the Group's turnover increased 9.6% to HK\$3,721 million in the review year. Profit from operations also recorded a growth of 12.2% from last year's figure of HK\$97 million to this year's figure of HK\$109 million. This is partly attributable to the rise in the Group's gross profit margins from 27.8% last year to 28.2% this year. Our Group's proven strategy of sourcing a wide range of quality goods at low costs was one of the reasons for the increase in gross profit margins during the year.

However, during the review year, the Group recorded a drop in net profit of 16.6% to HK\$77 million. This is because income tax expenses increased significantly to HK\$32 million compared with HK\$2 million last year. This was due to a write back in deferred taxation and over-provision for profits tax totaling HK\$16 million last year.

Staff costs against turnover dropped from last year's 9.8% to this year's 9.7% while rental costs against turnover recorded a slight increase from 8.5% to 8.9% because the Kornhill Store has enjoyed certain months of free rent during its renovation in 2000 and some of the lease agreements have been renewed during the year under the review.

Owing to the interest rate cuts during the past financial year, interest income saw a small drop of 4% to reach HK\$4.6 million this year. Interest expenses fell to the relatively insignificant amount of HK\$125,000 as compared to HK\$1.2 million in the previous year.

The Group maintained a solid financial position with no bank borrowings and cash on hand of over HK\$350 million as at the year-end date.

Capital expenditure during the year amounted to HK\$76 million, which was mainly incurred for the renovation of the Lok Fu Store in Hong Kong and the opening of the Dongguan Store in the PRC.

Exchange rate fluctuations had no material impact on the Group as less than 5% of our total purchases were settled by foreign currencies.

## BUSINESS REVIEW

### Hong Kong Operations

2001 was a year of daunting challenges for Hong Kong's retail sector. The operating environment remained difficult as the local economy continued to suffer sluggish growth brought about by the downturns in the stock and property markets, prevalent salary cuts and mounting unemployment rates. All these depressing factors in turn led to consumers' reluctance to spend. In spite of these adverse circumstances, JUSCO continued to thrive with the support of our successful business strategies and solid experience in the retail market.

Reviewing last year's performance, our Hong Kong stores succeeded in recording a rise in sales of 8.8% to HK\$3,178 million. Profit from operations also recorded an impressive growth of 18.7% to reach HK\$75 million because of effective cost control and rise in gross profit margin. Compared with the previous financial year whereby our Kornhill Store was closed for four months for renovation, the review year saw the 12-month operations of the Store, which made full contributions to the Group all the year round. During the year, our Lok Fu Store also underwent renovation and expansion. Different departments were re-arranged and re-structured, which gave customers a fresh shopping experience and a more comfortable shopping environment. Besides, the Store's supermarket almost doubled its size to 16,000 sq.ft. With more fresh food, produce and Japanese merchandise introduced, it succeeded in attracting higher customer flows, thus enhancing the sales performance of the Store.

During the financial year, a series of promotional campaigns were launched to attract our customers. For instance, American, Japanese, Korean, Taiwanese and Thai food fairs were held. During those promotional periods, not only was unique native food introduced at our stores, but we also organised traditional dances and performances to lure in customers. Among all the campaigns held last year, the "Towards 15th Anniversary" Lucky Draw signified the climax of the programs as a total of 15 luxury cars and 15 grand apartments worth over HK\$6 million were presented to our lucky customers. Following this tide was the Grand Lucky Draw held at the Chinese New Year when a total of HK\$1.9 million worth of gold was presented to reward our regular patrons. These attractive promotional campaigns succeeded in increasing customer flows in our stores, which not only boosted our sales through attracting new customers but also further consolidated our loyal customer base.

### PRC Operations

Having gained entry into WTO, the PRC will play an increasingly important role in the global economy. With spectacular GDP growth of over 7% last year and the continuously rising living standard of its people, the PRC presents a market with tremendous opportunities. In view of this, our Group has increasingly focused on developing this market to strengthen our foothold in the retail industry.



Currently, the concept of GMS is still not very common in the PRC. As a pioneer in establishing GMS in the PRC, JUSCO has already created a successful niche market. During the year under review, the two PRC stores recorded a surge in turnover of 14.4%, against last year's HK\$475 million to HK\$543 million. Our China Plaza Store enjoyed full-year operations as compared to its nine month operations in the previous financial year, leading to the contribution of year-round sales incomes. Profit from operations at HK\$34 million was slightly higher than the previous year, however improved results from increased sales were offset by the increase in overhead operating costs.

The past financial year also saw JUSCO's signing of an agreement with Shenzhen Centralcon The City Plaza Co. Ltd and Shenzhen Modern Friendship Co., Ltd to set up a joint venture in Shenzhen. The Company will finance its share of the capital contribution of HK\$33 million from internal resources and short term bank borrowings. Apart from this new store which is targeted to commence operations in the third quarter of 2002, we opened the Dongguan Store on 8 May 2002 and will also open one more GMS at Zhuhai by the end of 2002. These strategic moves will allow us to further strengthen our position in the PRC retail market and to present a strong driver for the Group's future growth.

### JUSCO'S IN-HOUSE BRAND

Over the years, JUSCO has been dedicated to providing customers with an extensive merchandise mix at reasonable prices at our stores. Our in-house brand, "Top Valu" is the practical realisation of our "value-for-money" concept. During the review year, a great variety of "Top Valu" products,

covering food, fashion, household products, etc were introduced. Among which, recycled products with the brand name 「共環宣言」 and high quality merchandise sold under "The Select" brand were rolled out. Not only were these in-house private labels very popular but they also strengthened JUSCO's product differentiation from our competitors.





## COMMUNITY CONTRIBUTION

Apart from striving to enhance earnings and maximising returns for our shareholders, JUSCO remained committed to the community during the year. In 2001, the annual “Old Book Recycling Campaign” was held again, which raised a record HK\$1.65 million which was donated to support the “Jingning Special Education Project” in Gansu Province in the PRC. Further fuelling our efforts to save the planet, we organised the “JUSCO Environmental Protection Outing Trip” and also held joint programs like “Green Shopping” with AEON JUSCO Education & Environment Fund and Eco Living Club to motivate the public to make our environment a better and greener place to live in. JUSCO is also a member of the Environmental Campaign Committee of the Environmental Protection Department of the Hong Kong SAR Government. Last year, JUSCO participated in World Environmental Day and helped to organise environmental protection and education workshops as well as exhibitions. Additionally, JUSCO also made regular contributions to sponsor green groups and green projects of local district councils.

## HUMAN RESOURCES

As at 28 February 2002, the Group employed about 2,600 full-time and 1,700 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practices. It also offers benefits such as professional tuition and training subsidies to staff to enhance their sense of loyalty.

## PROSPECTS

Although Hong Kong’s economy has yet to fully recover, with JUSCO’s established market position and our proven business strategies, we are well prepared to take off once the retail industry rebounds. On the other hand, the booming economic growth in the PRC presents us with very bright prospects for future expansion. Though the management still remain cautiously optimistic about the retail market, we are well positioned to grasp the opportunities ahead.



### Hong Kong Operations

Given the present economic situation with falling disposable income and lower purchasing power, Hong Kong consumers expect JUSCO to provide a broad range of daily necessities and quality products at bargain prices. The weak economic conditions actually provide us with a golden opportunity to expand and consolidate our position in our niche market – the “\$10 Plazas”. Last year, three “\$10 Plazas” were opened in our GMS.

Leveraging the successful experience of the existing “\$10 Plazas”, we opened one “\$10 Plaza” in March 2002 in the Tsuen Wan Store and we will open one more “\$10 Plaza” in May 2002 in the Whampao Store. Apart from this, we are now adopting a more aggressive strategy of setting up “\$10 Plazas” at other favourable locations with high customer flows. Our first “\$10 Plaza” outside JUSCO’s GMS is expected to commence operations in June 2002.

In addition, we will continue to look for suitable locations to open more GMS to further enlarge our market share in the local retail market. We plan to open two to three GMS within three years.

In addition to strengthening JUSCO’s in-house branding strategy is our ceaseless passion for launching attractive promotional campaigns. 2002 is a new chapter in JUSCO’s history as it marks our 15th anniversary. To reward our customers for their support over the years, we will soon launch a promotional campaign series from June to November. In line with this campaign, regular “Tea Party” and an appreciation dinner for the “Best J Card Members” will be organised to further enhance communications, gather customers’ opinions and to maintain closer relationships with our loyal patrons.

### PRC Operations

In view of the PRC’s great development potential, JUSCO will increase its tempo and power to expand its retail market. In the next five years, we target to open at least 10 GMS in Southern China and are devoting tremendous effort to establishing our JUSCO brand in the PRC. We opened the





Dongguan Store on 8 May 2002 and two more GMS at Shenzhen and Zhuhai will be opened in the year 2002. We will continue to further propel our unique GMS concept, aiming to bring one-stop shopping convenience to our customers. Total investment costs of these three GMS amounted to HK\$112 million will be financed by internal resources mainly as well as short term bank borrowings. With solid financial foundations, JUSCO is well positioned to further strengthen our foothold and targets to become one of the market leaders in the PRC retail industry.

### BRANDING STRATEGY

One of the important strategies JUSCO is pursuing is the establishing and popularising of our own brand name. This will be achieved through stepping up the promotions for our in-house "Top Valu" items. Besides, we are planning to introduce other JUSCO's in-house brand products which are currently not covered by "Top Valu". We aim to realise our brands as "high quality at bargain prices" among our customers. Not only does this help us sustain a loyal customer base but it also secures regular patrons for JUSCO's in-house brands.

### CONCLUSION

Last but not least, I would like to take this opportunity to express my gratitude to the support of our customers and our shareholders during the year. I would also like to express my sincere thanks to our dedicated staff who have devoted such tremendous effort on JUSCO's behalf. In the years to come, JUSCO will continue to commit itself to providing the best service to our valued customers, maximising returns for our shareholders and making our contribution to the well-being of the society.

**Kazumasa ISHII**

Managing Director

Hong Kong, 10 May 2002

# Senior Management Profile

## DIRECTORS

### MR. TOSHIJI TOKIWA

Mr. Tokiwa, aged 62, appointed Director of the Company in June 2000, is Chairman of the Company as well as AEON Co., Ltd. He graduated from Keio University with a bachelor's degree in Law. He joined AEON Co., Ltd. in 1999. He was the Senior Managing Director of the Dai-Ichi Kangyo Bank in Japan from May 1995 to June 1996.

### MR. KAZUMASA ISHII

Mr. Kazumasa Ishii, aged 51, was appointed Managing Director of the Company on 10 May 2002. He joined AEON Co., Ltd. in 1974 after his graduation from the Doshisha University with a bachelor's degree in commerce. Mr. Ishii joined JUSCO since 1990. He became Director of the Company in 1994. In 1995, he retired as the Director of the Company as he moved to Guangdong, the PRC for the establishment of Guangdong JUSCO Teem Stores Co., Ltd. and acted as its Managing Director. In 2002, he was appointed as Vice-Chairman of Guangdong Chain Operations Association and is the first and only non-Chinese taking up this post.

### MR. MOTOYA OKADA

Mr. Okada, aged 51, was appointed Director of the Company in February 1992. He graduated from Waseda University with a bachelor's degree in commerce. He also received a master's degree in business administration from the Graduate School of Business Administration of Babson College. He joined AEON Co., Ltd. in 1979. He was appointed President of AEON Co., Ltd. in May 1997.

### MR. AKIHITO TANAKA

Mr. Tanaka, aged 54, appointed Director of the Company in June 1997, is also the Managing Director of AEON Co., Ltd.. He graduated from Kansai University with a bachelor's degree in journalism. He joined AEON Co., Ltd. in 1970 and was appointed Director of AEON Co., Ltd. in June 1996.

### MR. SHINOBU WASHIZAWA

Mr. Washizawa, aged 46, appointed in May 2001, is the Director of Buying Department. He graduated from Hiroshima Shudo University with a bachelor's degree in commerce. He joined AEON Co., Ltd. in 1980.

### MR. ARNOLD WONG MUN YU

Mr. Wong, aged 44, appointed in May 1999, is the Director of Accounts & Finance Department. He joined the Company in 1988. He is a fellow of the Chartered Association of Certified Accountants and an Associate Member of the Hong Kong Society of Accountants.

### MR. SOUL LAM MAN TIN

Mr. Lam, aged 43, appointed in May 1999, is the Director of the Business Development. He graduated from University of Hull with a master degree in strategic marketing. He joined the Company in 1992 and has over 19 years of experience in retail and service industry.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### DR. SHAO YOU BAO, S.B.S.

Dr. Shao, aged 81, was appointed Director of the Company in July 1993. He graduated from Japan Kobe University with a bachelor's degree in economics and received an Honorary Doctorate of Laws from Ohio University. Dr. Shao is also the Chairman of Van Yu Trading Co. Ltd., Van Yu Holding Co. Ltd., and Van Fung Co., Ltd. He is also a Hong Kong Affairs Advisor to the People's Republic of China and a member of the Preparatory Committee for the Hong Kong Special Administrative Region. Dr. Shao was awarded the Silver Bauhinia Star (S.B.S.) by the Hong Kong Special Administrative Region Government in 1998.

### MRS. LAM PEI PEGGY, S.B.S., O.B.E., J.P

Mrs. Lam, aged 73, was appointed Director of the Company in January 1994. She graduated from University of Shanghai with a bachelor's degree in sociology and social work. She received a certificate in family planning from the University of Chicago and a certificate in Public Health Administration from the University of Michigan. Mrs. Lam is a fellow in Family Planning of The American University, the United States of America. She is the Chairman of Wan Chai District Board and a member of the Preparatory Committee for the Hong Kong Special Administrative Region. She is the founding Chairman of the Hong Kong Federation of Women. She is also a Hong Kong Affairs Advisor to the People's Republic of China, a member of Legislative Council in 1988-1995 and a member of Provisional Legislature of the Hong Kong Special Administrative Region. She is also a member of Chinese People's Political Consultative Conference. She was awarded the Silver Bauhinia Star (S.B.S.) by the Hong Kong Special Administrative Region Government in 1998.

## SENIOR MANAGEMENT

### MR. DAISUKE KOBAYASHI

Mr. Kobayashi, aged 43, is the General Manager of the Administration Department. He graduated from Kwansei Gakuin University with a bachelor's degree in business administration. He joined AEON Co., Ltd. in 1981 and the Company in 2000.

### MR. DAVID LEE TAI LUNG

Mr. Lee, aged 46, is the General Manager of Operation Department. He joined the Company in 1987. He has 27 years of experience in retailing industry, especially in store management.

# Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 28 February 2002.

## **PRINCIPAL ACTIVITIES**

The Company and its subsidiary are engaged in the operation of general merchandise stores.

## **SUBSIDIARY**

Details of the Company's subsidiary at 28 February 2002 are set out in note 15 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 28 February 2002 are set out in the consolidated income statement on page 21.

An interim dividend of 2.0 HK cents per share amounting to HK\$5,200,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 9.5 HK cents per share to the shareholders on the register of members on 20 June 2002, amounting to HK\$24,700,000, and the retention of the remaining profit for the year.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent. of the Group's total sales and purchases for the year.

## **RESERVES**

Details of movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 46.

## **SHARE CAPITAL**

There were no movements in the share capital of the Company during the year.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$76 million on property, plant and equipment to renovate its stores and expand its operations. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

**DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

**Executive directors**

Kazumasa ISHII ( <i>Managing Director from 10 May 2002</i> )	(appointed on 18 May 2001)
Sozaburo YAMAZAKI ( <i>Managing Director up to 10 May 2002</i> )	(resigned on 10 May 2002)
WONG Mun Yu	
LAM Man Tin	
Shinobu WASHIZAWA	(appointed on 18 May 2001)
Hitoshi UMEZAWA	(resigned on 13 April 2001)

**Non-executive directors**

Toshiji TOKIWA ( <i>Chairman</i> )	
Akihito TANAKA	
Motoya OKADA	
Yoichi KIMURA	(resigned on 18 May 2001)

**Independent non-executive directors**

SHAO You Bao  
LAM Pei Peggy

In accordance with Article 101 of the Company's Articles of Association, all remaining directors retire from office and offer themselves for re-election.

The term of office for each non-executive and independent non-executive director is the period up to his retirement in accordance with the above Article.

**DIRECTORS' SERVICE CONTRACTS**

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

At 28 February 2002, the interests of the directors and their associates in the share capital and the debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

**(a) The Company**

Name of directors	Number of ordinary shares held as personal interests
Sozaburo YAMAZAKI	300,000
WONG Mun Yu	18,000
LAM Man Tin	50,000
Kazumasa ISHII	80,000
Shinobu WASHIZAWA	6,000
Motoya OKADA	100,000
Akihito TANAKA	50,000
SHAO You Bao	200,000
LAM Pei Peggy	200,000

**(b) AEON Co., Ltd. (formerly known as JUSCO Co., Ltd.), the Company's ultimate holding company**

Name of directors	Number of shares held	
	Personal interests	Family interests
Toshiji TOKIWA	2,000	–
Sozaburo YAMAZAKI	2,601	–
Kazumasa ISHII	7,000	–
Shinobu WASHIZAWA	380	–
Motoya OKADA	203,248	4,371
Akihito TANAKA	6,000	–

Mr. Motoya OKADA also has a personal interest in the debentures of AEON Co., Ltd. with a total nominal value of ¥2,000,000.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES** (continued)**(c) Other associated corporations**

	Number of shares held as personal interests				
	Toshiji TOKIWA	Sozaburo YAMAZAKI	Motoya OKADA	Akihito TANAKA	SHAO You Bao
AEON Credit Service (Asia) Company Limited	–	22,000	110,000	–	330,000
AEON Fantasy Co., Ltd.	–	–	20,000	2,000	–
AEON Forest Co., Ltd.	–	–	3,000	–	–
Aeonmall Co., Ltd. (formerly known as AEON Kosan Co., Ltd.)	–	–	1,000	–	–
AEON Techno Service Co., Ltd.	–	–	5	–	–
AEON Thana Sinsap (Thailand) Plc.	100,000	–	300,000	20,000	–
Certo Co., Ltd.	–	–	2	–	–
Jaya JUSCO Stores Bhd.	–	–	75,000	150,000	–
Jus-Photo Co., Ltd.	–	–	2,000	–	–
Kyushu JUSCO Co., Ltd.	–	–	2,000	–	–
Laura Ashley Japan Co., Ltd.	–	–	10	–	–
Maxvalu Tohoku Co., Ltd.	–	–	5,000	–	–
Reform Studio Co., Ltd.	–	–	5	–	–
Ryukyu JUSCO Co., Ltd.	–	–	500	100	–
Taiwan JUSCO Co., Ltd.	1	–	1	–	–
The Talbots, Inc.	–	–	44,000	–	–
Zwei Co., Ltd.	–	–	4	–	–

Other than as disclosed above, at 28 February 2002, the register maintained by the Company pursuant to Section 29 of the SDI Ordinance recorded no other interests of the directors or chief executives or their associates in the share capital and debentures of the Company or its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had rights to subscribe for the securities of the Company, or had exercised any such right during the year.

**DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS**

During the year, the Company had the following material transactions with AEON Co., Ltd. and two of its subsidiaries, namely AEON Credit Service (Asia) Company Limited ("ACS") and Aic Merchandising (Japan) Ltd.. Messrs. Toshiji TOKIWA, Sozaburo YAMAZAKI, Motoya OKADA, Akihito TANAKA, Kazumasa ISHII and Shinobu WASHIZAWA have beneficial interests in AEON Co., Ltd.. Messrs. Sozaburo YAMAZAKI, Motoya OKADA and Dr. SHAO You Bao also have beneficial interests in ACS.

- (i) The Company made purchases from Aic Merchandising (Japan) Ltd. amounting to a total of approximately HK\$37,131,000. The value of purchases was 1.60 per cent. of the total purchases of the Company for the year ended 28 February 2002. In the opinion of those directors not having an interest in the above transactions, these transactions were carried out in the ordinary course of business and on normal commercial terms.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS** (continued)

- (ii) Royalties payable to AEON Co., Ltd. for the year ended 28 February 2002 pursuant to a technical assistance agreement amounted to approximately HK\$22,868,000.
  
- (iii) ACS and the Company have entered into agreements under which the Company pays commission to ACS in respect of certain purchases made by customers of the Company with the use of the AEON Card, the AEON JUSCO Card, the AEON JUSCO Mastercard, AEON JUSCO American Express Card and certain purchases which are financed by interest-free hire purchase credit facilities provided by ACS to customers of the Company. On 23 June 1999, The Stock Exchange of Hong Kong Limited ("the Stock Exchange") has granted a conditional waiver to the Company from strict compliance with the disclosure requirements as stipulated in Rule 14.25(1) of the Listing Rules in connection with the transactions subject to certain conditions.

The total amount of commission paid and payable by the Company for the year ended 28 February 2002 was approximately HK\$20,388,000. This amount has not exceeded 1 per cent. of the audited consolidated turnover of the Company as required by the Stock Exchange. In the opinion of the independent non-executive director, these transactions or the terms of the respective agreements governing such transactions were entered into in the ordinary and usual course of the business of the Company on normal commercial terms and in accordance with the terms of the respective agreements and are fair and reasonable so far as the shareholders of the Company are concerned.

- (iv) ACS and the Company have entered into a number of licence agreements under which ACS pays to the Company a fixed monthly rental in respect of service counters, cash dispensing machines and cash repayment machines operated by ACS in the stores of the Company. On 27 November 1998, the Stock Exchange has granted a conditional waiver to the Company for strict compliance with the disclosure requirements as stipulated in Rule 14.25(1) of the Listing Rules in connection with the transactions subject to certain conditions. The total amount of rentals paid and payable by ACS for the year ended 28 February 2002 was approximately HK\$7,627,000. This amount has not exceeded the higher of HK\$10,000,000 or 3 per cent. of the book value of the audited consolidated net tangible assets of the Company as required by the Stock Exchange. In the opinion of the independent non-executive directors, these transactions or the terms of the respective licence agreements governing such transactions were entered into in the ordinary and usual course of the business of the Company on normal commercial terms and in accordance with the terms of the respective licence agreements and are fair and reasonable so far as the shareholders of the Company are concerned.

Other than as disclosed above, no contracts of significance to which the Company, its subsidiary, its ultimate holding company or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**SUBSTANTIAL SHAREHOLDERS**

At 28 February 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had a direct or indirect interest of 10 per cent. or more in the issued share capital of the Company:

Name	Number of shares	%
AEON Co., Ltd.	186,276,000 (Note)	71.64

*Note:* These shares are held as to 177,500,000 shares by AEON Co., Ltd., 7,000,000 shares by JUSCO (U.S.A.) Inc., which is a wholly-owned subsidiary of AEON Co., Ltd., and 1,776,000 shares by ACS. AEON Co., Ltd. beneficially owns 66.22% of ACS and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by ACS.

Other than as disclosed above, the Company has not been notified that there is any shareholder which is directly or indirectly interested in 10 per cent. or more in the issued share capital of the Company as at 28 February 2002.

**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year was the Company, its subsidiary, its ultimate holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

**DONATIONS**

During the year, the Group made charitable and other donations amounting to approximately HK\$1,051,000.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 28 February 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board



**Kazumasa ISHII**

Managing Director

Hong Kong, 10 May 2002

# Report of the Auditors

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

To the shareholders of

### **JUSCO STORES (HONG KONG) CO., LIMITED**

吉之島(香港)百貨有限公司

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 21 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.



**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 10 May 2002

# Consolidated Income Statement

For the year ended 28 February 2002

		(Restated)
		2001
	Notes	2002
		HK\$'000
		HK\$'000
Turnover		3,720,924
Other revenue		213,421
Changes in inventories		(2,673,153)
Staff costs		(362,016)
Depreciation		(85,140)
Loss on disposal of property, plant and equipment		(2,824)
Pre-operating expenses		(4,206)
Impairment loss on property, plant and equipment		(12,000)
Other operating expenses		(685,680)
Profit from operations	5	109,326
Finance costs	6	(125)
Investment income	7	5,147
Profit from ordinary activities before taxation		114,348
Income tax expenses	10	(31,931)
Profit before minority interest		82,417
Minority interest		(5,459)
Net profit for the year	11	76,958
Dividends	12	39,000
Earnings per share	13	29.60 cents
		35.48 cents

# Consolidated Balance Sheet

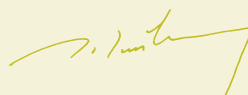
At 28 February 2002

		2002	(Restated) 2001
	Notes	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	398,838	422,327
Investment securities	16	3,936	3,936
		<b>402,774</b>	426,263
<b>Current Assets</b>			
Inventories		269,853	227,282
Trade receivables	17	6,057	4,921
Other receivables, prepayments and deposits		118,768	109,352
Amount due from a fellow subsidiary	18	19,685	16,943
Bank balances and cash		354,854	280,691
		<b>769,217</b>	639,189
<b>Current Liabilities</b>			
Trade payables	19	508,569	474,912
Other payables and accrued charges		197,078	179,794
Amount due to a fellow subsidiary	20	3,939	4,803
Amount due to ultimate holding company	21	23,640	20,954
Taxation		17,355	5,830
Dividend payable		86	72
		<b>750,667</b>	686,365
<b>Net Current Assets (Liabilities)</b>		<b>18,550</b>	(47,176)
		<b>421,324</b>	379,087
<b>Capital and Reserves</b>			
Share capital	22	52,000	52,000
Share premium and reserves	23	342,837	304,242
		<b>394,837</b>	356,242
<b>Minority Interest</b>		<b>26,487</b>	22,845
		<b>421,324</b>	379,087

The financial statements on pages 21 to 45 were approved and authorised for issue by the Board of Directors on 10 May 2002 and are signed on its behalf by:



**Kazumasa ISHII**  
Director



**WONG Mun Yu**  
Director

# Balance Sheet


At 28 February 2002

	Notes	2002 HK\$'000	(Restated) 2001 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	340,478	370,305
Investment in a subsidiary	15	31,227	31,227
Investment securities	16	3,936	3,936
		<b>375,641</b>	405,468
<b>Current Assets</b>			
Inventories		256,666	217,303
Trade receivables	17	4,664	4,344
Other receivables, prepayments and deposits		101,996	92,079
Amount due from a subsidiary		7,452	6,043
Amount due from a fellow subsidiary	18	19,685	16,943
Bank balances and cash		226,561	167,689
		<b>617,024</b>	504,401
<b>Current Liabilities</b>			
Trade payables	19	410,102	384,473
Other payables and accrued charges		170,733	156,919
Amount due to a fellow subsidiary	20	3,939	4,803
Amount due to ultimate holding company	21	23,640	20,954
Taxation		13,114	277
Dividends payable		86	72
		<b>621,614</b>	567,498
<b>Net Current Liabilities</b>		<b>(4,590)</b>	(63,097)
		<b>371,051</b>	342,371
<b>Capital and Reserves</b>			
Share capital	22	52,000	52,000
Share premium and reserves	23	319,051	290,371
		<b>371,051</b>	342,371



**Kazumasa ISHII**

Director



**WONG Mun Yu**

Director

# Consolidated Statement of Recognised Gains and Losses

For the year ended 28 February 2002

	2002 HK\$'000	2001 HK\$'000
Net gain (loss) not recognised in the income statement		
Exchange differences arising on translation of overseas operations	637	(731)
Net profit for the year	<b>76,958</b>	92,236
Net recognised gains	<b>77,595</b>	91,505
Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (Revised) (see note 2)		
– increase in retained profits at 1 March 2000		10,400

# Consolidated Cash Flow Statement

For the year ended 28 February 2002

	Note	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	<b>207,473</b>	262,085
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		<b>4,654</b>	4,844
Interest paid on bank borrowings		<b>(125)</b>	(1,213)
Dividends received from listed investment securities		<b>493</b>	429
Dividends paid		<b>(38,986)</b>	(12,988)
Dividends paid to minority shareholder		<b>(2,142)</b>	–
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>(36,106)</b>	(8,928)
TAXATION			
Hong Kong Profits Tax paid		<b>(4,263)</b>	(3,475)
People's Republic of China income tax paid		<b>(16,216)</b>	(9,914)
TAX PAID		<b>(20,479)</b>	(13,389)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		<b>(78,286)</b>	(115,186)
Proceeds from disposal of property, plant and equipment		<b>76</b>	50
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(78,210)</b>	(115,136)
INCREASE IN CASH AND CASH EQUIVALENTS		<b>72,678</b>	124,632
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<b>280,691</b>	157,377
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<b>1,485</b>	(1,318)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<b>354,854</b>	280,691
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<b>354,854</b>	280,691

# Notes to the Financial Statements

For the year ended 28 February 2002

## 1. GENERAL

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

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

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

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

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

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

### Leases

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

### Segment reporting

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

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

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

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

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

**Turnover**

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

**Revenue recognition**

Sales are recognised when goods are sold.

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

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

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

**Property, plant and equipment**

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

#### Investments in securities

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

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

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

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

#### Impairment

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

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

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

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

**Operating leases**

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

**Foreign currencies**

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

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

**Taxation**

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

**Retirement benefit scheme**

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

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

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

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

Geographical segment information about the business is presented below.

**2002**

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

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

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

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

2001

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

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

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

**Business segments**

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

**5. PROFIT FROM OPERATIONS**

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

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

**6. FINANCE COSTS**

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

**7. INVESTMENT INCOME**

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

**8. DIRECTORS' EMOLUMENTS**

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

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

The emoluments of the directors were within the following bands:

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

**9. EMPLOYEES' EMOLUMENTS**

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

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

Their emoluments were within the following bands:

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

**10. INCOME TAX EXPENSES**

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

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

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

**11. NET PROFIT FOR THE YEAR**

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

**12. DIVIDENDS**

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

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

**13. EARNINGS PER SHARE**

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

**14. PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

**15. INVESTMENT IN A SUBSIDIARY**

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

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

**16. INVESTMENT SECURITIES**

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

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

**17. TRADE RECEIVABLES**

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

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

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

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

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

**19. TRADE PAYABLES**

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

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

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

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

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

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

**22. SHARE CAPITAL**

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

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

## 23. SHARE PREMIUM AND RESERVES

	Share premium	Translation reserve	Retained profits	PRC statutory reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>					
At 1 March 2000					
– as originally stated	63,158	143	152,036	–	215,337
– prior period adjustment (note 2)	–	–	10,400	–	10,400
– as restated	63,158	143	162,436	–	225,737
Exchange differences arising on translation of overseas operations	–	(731)	–	–	(731)
Profit for the year	–	–	92,236	–	92,236
Transfer, net of minority interest's share	–	–	(705)	705	–
Dividends	–	–	(13,000)	–	(13,000)
At 28 February 2001	63,158	(588)	240,967	705	304,242
Exchange differences arising on translation of overseas operations	–	637	–	–	637
Profit for the year	–	–	76,958	–	76,958
Transfer, net of minority interest's share	–	–	(159)	159	–
Dividends	–	–	(39,000)	–	(39,000)
At 28 February 2002	63,158	49	278,766	864	342,837
<b>THE COMPANY</b>					
At 1 March 2000					
– as originally stated	63,158	–	150,941	–	214,099
– prior year adjustment (note 2)	–	–	10,400	–	10,400
– as restated	63,158	–	161,341	–	224,499
Profit for the year	–	–	78,872	–	78,872
Dividend	–	–	(13,000)	–	(13,000)
At 28 February 2001	63,158	–	227,213	–	290,371
Profit for the year	–	–	67,680	–	67,680
Dividends	–	–	(39,000)	–	(39,000)
At 28 February 2002	63,158	–	255,893	–	319,051

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

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

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

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

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

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

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

**26. MAJOR NON-CASH TRANSACTION**

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

**27. DEFERRED TAXATION**

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

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

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

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

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

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

**28. CAPITAL COMMITMENTS**

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

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

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

	THE GROUP				THE COMPANY			
	2002		2001		2002		2001	
	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	Rented furniture, Rented fixtures and premises equipment HK\$'000	
Within one year	345,107	–	348,478	1,580	300,710	–	311,951	
In the second to fifth year inclusive	1,344,810	–	1,402,800	–	1,136,222	–	1,218,111	
Over five years	1,131,664	–	1,329,128	–	1,056,551	–	1,276,274	
	<b>2,821,581</b>	<b>–</b>	<b>3,080,406</b>	<b>1,580</b>	<b>2,493,483</b>	<b>–</b>	<b>2,806,336</b>	

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

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

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

**The Group and the Company as lessor**

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

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

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

**30. RETIREMENT BENEFITS SCHEMES**

The Company operating in Hong Kong has participated in the Mandatory Provident Fund Schemes (“MPF Schemes”) registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year are charged to the income statement for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions charged to the income statement represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

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

The employees employed in the PRC subsidiary are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiary is required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years was approximately HK\$73,000 (2001: HK\$127,000).

**31. RELATED PARTY TRANSACTIONS**

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

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

Commission expenses were in respect of certain purchases made by customers of the Group and certain purchases which are financed by interest-free hire purchase credit facilities provided by a fellow subsidiary to customers of the Group. The amount was charged at the commission rate on the purchases in accordance with the relevant commission agreements.

Rental income from licensees was in respect of service counters, cash dispensing machines and cash repayment machines operated by a fellow subsidiary in the stores of the Group. The amount was charged at a monthly rental in accordance with the relevant licence agreements.

Purchase of goods, rental expenses and management fees were carried out on the basis of estimated market value or at terms determined and agreed by both parties. In respect of rental expenses, in addition to the monthly fixed rentals, contingent rent is charged at a fixed percentage of the annual gross turnover and receipts in excess of a specified minimum amount as stated in the relevant rental agreements.

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

Royalty expenses were charged at a fixed percentage on the adjusted gross profit of a store or a fixed rate on the floor area of the other stores in accordance with a technical assistance agreement.

The amounts for the share of operating costs and the support service income for the Asian Headquarters established by its ultimate holding company were charged on actual cost allocation basis.

During the year, the Group received dividend income amounting to HK\$493,000 (2001: HK\$429,000) from a fellow subsidiary which was based on the percentage of equity interests in that fellow subsidiary.

In addition to the above, the Group has donated HK\$674,000 (2001: HK\$117,000) to AEON JUSCO Education and Environment Fund Limited ("the Fund") of which the Company is a member of the Fund. The Fund is a company limited by guarantee and not having a share capital, established in co-operation with AEON Credit Service (Asia) Company Limited on 18 February 1998. The objective of the Fund is to promote environmental protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the PRC. The Group donates 1 per cent. of its preceding year-end profit before taxation to the Fund every year.

Outstanding balances as at the balance sheet date arising from the above transactions with related parties were as set out in the consolidated balance sheet except for the following balance, which is included in other receivables, prepayments and deposits:

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

# Five-Year Summary

	For the year ended				
	28 February	28 February	29 February	28 February	28 February
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Turnover	2,397,468	2,765,658	3,277,382	3,394,484	<b>3,720,924</b>
Profit (loss) from operations	58,146	(9,476)	52,089	97,442	<b>109,326</b>
Finance costs	(1,934)	(6,232)	(5,898)	(1,213)	<b>(125)</b>
Investment income	6,297	1,516	1,717	5,273	<b>5,147</b>
Gain on dilution of interest in a subsidiary	–	–	1,682	–	<b>–</b>
Profit (loss) from ordinary activities before taxation	62,509	(14,192)	49,590	101,502	<b>114,348</b>
Income tax expenses	(14,500)	(9,700)	(10,489)	(2,105)	<b>(31,931)</b>
Profit (loss) before minority interest	48,009	(23,892)	39,101	99,397	<b>82,417</b>
Minority interest	3,474	612	(6,585)	(7,161)	<b>(5,459)</b>
Net profit (loss) for the year	51,483	(23,280)	32,516	92,236	<b>76,958</b>

	At				
	28 February	28 February	29 February	28 February	28 February
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)	(Restated)	
<b>ASSETS AND LIABILITIES</b>					
Total assets	749,104	1,083,404	930,694	1,065,452	<b>1,171,991</b>
Total liabilities	(459,706)	(836,098)	(636,902)	(686,365)	<b>(750,667)</b>
Minority interest	(2,665)	(2,053)	(16,055)	(22,845)	<b>(26,487)</b>
Shareholders' funds	286,733	245,253	277,737	356,242	<b>394,837</b>

Note: The Summary of assets and liabilities for the Group at 28 February 1998, 2000 and 2001 has been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 9 (Revised) in respect of dividend proposed or declared after the balance sheet date.