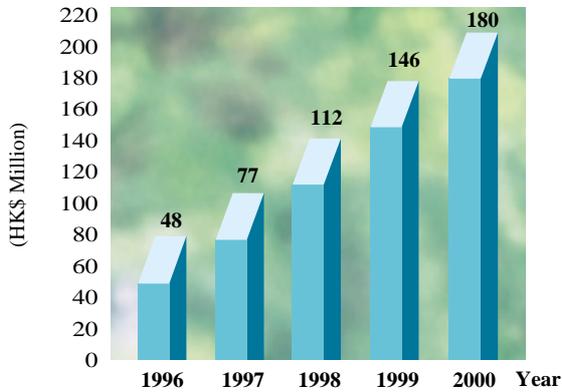
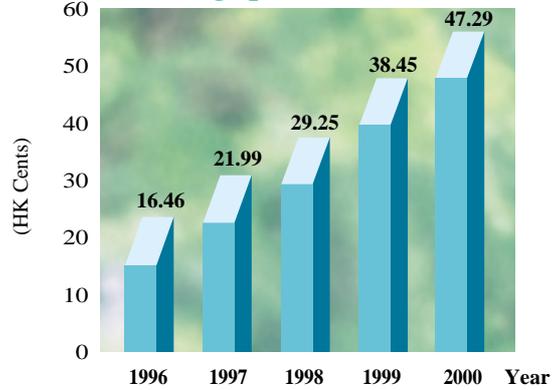


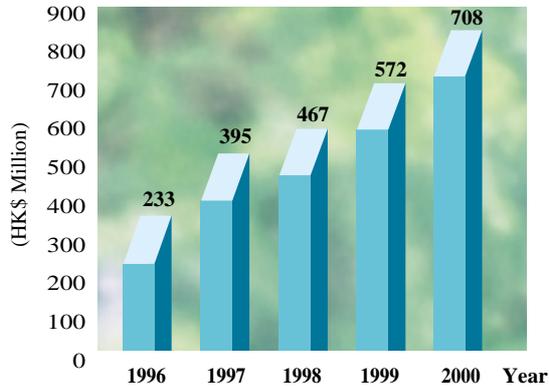
Net Profit (note 1)



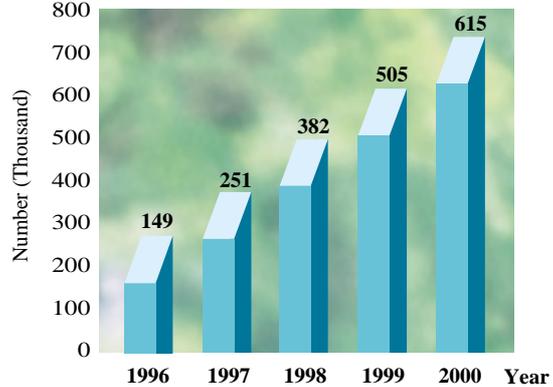
Earnings per Share (note 2)



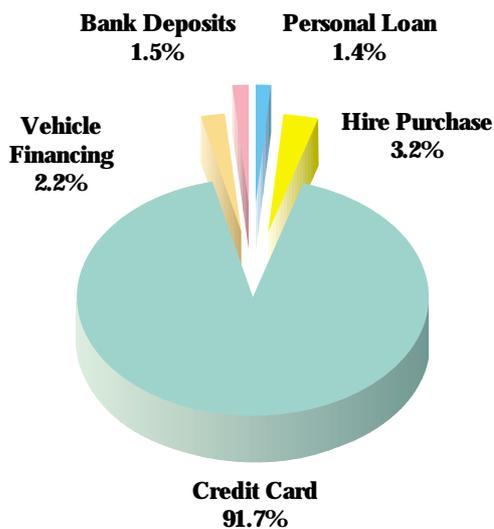
Shareholders' Funds (note 3)



Number of Cardholders (note 4)



Turnover (note 5)



Notes:

1. Represents the net profit for the financial years ended 20th February 1996, 1997, 1998, 1999 and 2000.
2. Represents the earnings per share for the financial years ended 20th February 1996, 1997, 1998, 1999 and 2000.
3. Represents the shareholders' funds as at 20th February 1996, 1997, 1998, 1999 and 2000.
4. Represents the number of cardholders as at 20th February 1996, 1997, 1998, 1999 and 2000.
5. Represents the respective percentage of finance charges from hire purchase contracts, interest earned on loans and credit card advances, fee, commission income and interest on bank deposits by principal activities for the financial year ended 20th February 2000.

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Corporate Information

Board of Directors

Executive Directors

Kazuhide KAMITANI (*Managing Director*)
Naruhito KURODA
FONG Chung Leung, Gerald
LAI Yuk Kwong

Non-Executive Directors

Yoshiki MORI (*Chairman*)
Kazuro ASANO
Yoichi KIMURA

Independent Non-Executive Directors

SHAO You Bao
TSANG Wing Hong

Company Secretary

KOH Yik Kung

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Bankers

The Dai-Ichi Kangyo Bank, Ltd.
Hong Kong Branch
The Bank of Tokyo-Mitsubishi, Ltd.
Hong Kong Branch
The Sanwa Bank Limited
Hong Kong Branch

Share Registrars

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Registered Office

37th Floor, The World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

Internet Address

Homepage : <http://www.aeon.com.hk>
E-mail Address : info@aeon.com.hk

Board of Directors



Yoshiaki MORI



Kazuhide KAMITANI



Naruhito KURODA



FONG Chung Leung, Gerald



LAI Yuk Kwong



Kazuro ASANO



Yoichi KIMURA



SHAO You Bao



TSANG Wing Hong

Chairman's Statement



Yoshiaki MORI
Chairman

It is my pleasure to present to you my first annual report since my appointment as the Chairman of AEON Credit Service (Asia) Company Limited (the "Company"). I am delighted that the Company reported another year of prominent growth in business and profitability. Net profit for the year increased by 23.0% to HK\$180.0 million, with total revenue increased by 10.3% to HK\$825.1 million. On behalf of the Company, I would like to express our sincere appreciation to our loyal customers and shareholders for their confidence in and support to the Company.

The Company is a member of AEON Group and a subsidiary of AEON Credit Service Co., Ltd. ("AEON Credit Japan"), which is listed on the first section of the Tokyo Stock Exchange. AEON Credit Japan has consistently applied its philosophy of "customer comes first" in fulfilling its responsibility. Guided by the corporate mission to provide convenient and affluent lifestyles to the customers, AEON Credit Japan appreciated the importance of having high-added-value financial services that truly reflect consumer needs. The high quality of services provided is reflected in its steady growth of cardholder base, which reached 10 million by the end of this fiscal year. Including associated cash dispensing machines, AEON Credit Japan has now built up a cash advance network encompassing more than 100,000 cash dispensing machines in Japan. This is one of the biggest cash dispensing machine network in the country.

AEON Credit Japan achieved its success by providing consumer credit finance services that match customer lifestyles. Its policy is to support lifestyle improvement through combining credit resources with the future potential of its customers. By listening and responding positively to the needs of each customer, and by ensuring that their views are properly reflected in our services, AEON Credit Japan is confident to maintain its dynamic growth as a trusted name in the communities.

Today, AEON Credit Japan has used its solid business base on credit card as a foundation for expansion into other activities that closely relate to the needs of its customers, which include the insurance agency business, payment collection, card processing and delivery services.

To fulfill our mission as a good corporate citizen, AEON Credit Japan engages in a broad spectrum of social activities, ranging from locally based voluntary activities to global environmental campaigns. AEON Credit Japan operates its own charitable activities with the support of its customers. On a global basis, AEON Group companies support environmental conservation, international cultural and people exchanges, regional cultural activities and other causes through the AEON 1% Club.

For the year under review, the Company has followed the Group policy of providing high quality and convenient service to the customers. The Company expanded its cash dispensing machine and branch network to ensure the extension of its services to the whole population in Hong Kong and at the same time exercising a stringent control on cost. Cost to income ratio continued to improve despite a growth in the number of cardholders and the additional services provided to the customers.

Chairman's Statement

To support the charitable activities in the community, the Company joined the tree-planting festival in Beijing and organized the Home Environmental Ambassador Project through AEON Jusco Education and Environment Fund Limited to arouse public awareness towards conservation of the global environment.

Guided by the corporate philosophy of “serving the community through the credit business”, the Company will continue to provide a supportive response to the needs of the individual customer. With regard to social contribution, we will continue to be a good corporate citizen of Hong Kong and participate actively in the community activities and support local causes. The Company understands its responsibilities and the importance of providing good returns to its shareholders. I would like to ask you all, as our shareholders, to grant us your most generous support.

森 美 樹

Yoshiki MORI
Chairman

Hong Kong, 19th April 2000

Managing Director's Operational Review



Kazuhide KAMITANI
Managing Director

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present to you a review of the results of the Company for the year ended 20th February 2000. The Company recorded a continuous growth in the net profit mainly attributable to the introduction of new products and services during the financial year. Net profit for the year increased by 23.0% to HK\$180.0 million. Earnings per share was 47.29 HK cents. The Directors have recommended the payment of a final dividend of 7.5 HK cents. Together with an interim dividend of 4.0 HK cents, total dividend for the year was 11.5 HK cents. To commemorate the tenth anniversary of the Company, the Directors also recommended a bonus issue of new shares in the share capital of the Company on the basis of one new fully paid ordinary share for every ten existing ordinary shares held on 14th June 2000.

PERFORMANCE REVIEW

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

New products and services introduced in this financial year include new types of credit cards, the members loan and privilege loan and the processing of hire purchase transactions through the call centre. As a result, total revenue for the year ended 20th February 2000 increased by 10.3% over that of last year, reaching a total of HK\$825.1 million. Despite a keen competition in the market, the Company continued to maintain its market niche as a second card issuer providing credit purchase and convenient cash advance services to its cardholders.

Total debtor balance increased by HK\$155.9 million to HK\$2,635.4 million as at 20th February 2000. Through the newly launched Batman™ Card and the AEON Toys“R”Us MasterCard and also the AEON Jusco MasterCard, the number of cardholders increased by 110,000 to 615,000 as at 20th February 2000.

Net profit for the year was HK\$180.0 million, an increase of 23.0% or HK\$33.6 million when compared with the previous year. Net interest income increased by HK\$34.6 million to HK\$563.7 million. Despite a growth in the number of cardholders and the additional services provided to the customers, operating expenses decreased by 9.5%, or HK\$28.9 million, from HK\$305.1 million to HK\$276.2 million due to the management taking active measures to control operating expenses. Cost to income ratio improved from 51.5% for the year ended 20th February 1999 to 43.0% for the year ended 20th February 2000.

On the collection side, by using the auto-calling system and exercising tight control on credit judgement and credit limit, the average collection ratio for current account receivables for the year ended 20th February 2000 achieved an average of 99.3%, representing an improvement of 0.3% when compared with the previous year. Total provision for bad and doubtful debts as at 20th February 2000 was HK\$85.1 million, covering all credit card receivables and instalment loans receivable over two months and hire purchase debtors over three months.

Earnings per share was 47.29 HK cents, an increase of 23.0% when compared with the previous year.

Managing Director's Operational Review

BUSINESS DEVELOPMENT

Credit Cards

Credit card business continued to be the Company's major operation in this financial year. New types of credit cards were issued to capture different market segments. In August 1999, we launched the Batman™ Card with unemployment insurance targeted at young generation. It provides free Internet access and free e-mail account. In December 1999, we launched the AEON Toys“R”Us MasterCard. Successful applicants can receive attractive bonus point for cash redemption coupons and enjoy discount when shopping on Geoffrey Friday in Toys“R”Us stores. In March 2000, we launched the AEON HKNet MasterCard, which provides discounts on Internet and IDD services. With these newly launched credit cards and the additional benefits for the Jusco Card and AEON Jusco MasterCard, the number of cardholders reached 615,000 as at 20th February 2000.



New cards launched to capture different market segments



Introduction of members loan and privilege loan

Personal Loan

We introduced the members loan which offered unemployment insurance protection to applicants in this financial year. We also sent direct mail to inactive cardholders for our privilege loan. The introduction of the members loan and privilege loan help to boost up the sales volume for personal loan business, with receivables reaching HK\$86.9 million as at 20th February 2000.

Managing Director's Operational Review

Call Centre

The call centre was set up in June 1999 to offer total solutions to customers. It handles both inbound and outbound calls, informs and promotes the Company's services to customers. It also cross-sells products for other merchants and service providers. We use this newly set up call centre to offer direct sales and provide instant approval process for hire purchase transactions and, through collaboration with various merchants, the sales volume generated reached approximately HK\$70 million for the year ended 20th February 2000. We anticipate an increasing demand on the call centre service in view of the increasing cardholder base and new services to be rolled out in the future.



Call Centre



Web-based ATM

Web-based ATM

We launched the Web-based ATM in October 1999 and have installed a total of 30 such machines as at 20th February 2000. The Web-based ATM combines both cash dispensing functions and eCommerce in one single machine. Customers can browse animated clips with voice guidance on the screen for a wide choice of products and services. Transaction is made and settled instantly with online approval status. By employing Internet web programming technology, participating merchants can add and offer new and trendy products to the market instantly. The machines now offer credit purchase, hire purchase, ticket issuing, bonus point enquiry and redemption functions.

Internet Access

Cardholders can access our online cashing service, card application and members loan through our upgraded AEON homepage. Free Internet service is offered to cardholders, together with weekly e-mail magazines updating our cardholders on trendy products and shopping information. It is envisaged that these cardholders who are computer literate will form a new potential customer base which we can tap for our future eCommerce activities.



AEON homepage

Managing Director's Operational Review

Funding

In this financial year, the Company successfully completed a HK\$540 million credit card receivables securitisation of AEON Card and AEON MasterCard accounts. The transaction received ratings of Aaa from Moody's Investor Service and AAAR from Standard & Poor's. In addition, the Company has also entered into a HK\$200 million hire purchase receivables revolving credit facility and a further HK\$360 million syndicated revolving credit facility with six international banks. The funds received not only enlarged the Company's funding base but also diversified the Company's funding sources.

PROSPECTS

Hong Kong economy is expected to gradually resume growth in the millennium. With the signs of recovery in the Asian economy, the Company will capitalise on its niche in the credit card business and focus on selected market segments to capture a wider customer base. Moreover, to stay ahead of competition, the Company will build on the existing infrastructure and customer base to enter into eCommerce business.

Credit Card Business

Credit card business will continue to be the main focus of the Company in the coming year. With the increase in consumer business activities conducted through the Internet, the Company sees the opportunity to utilize its existing infrastructure to extend its services through the provision of an alternate secure payment method that truly resolves security concerns of online merchants and customers. A **AEON-SPOT™**, which stands for secure payment for online transactions, will be launched in June this year. Online customers will be able to safely pay for online transactions over our kiosk network, whereas merchants will enjoy a lower cost for both settlement and advertising and also benefit from reduced credit risk and fraudulent cases. A **AEON-SPOT™** is open to our cardholders as well as other cardholders. With the expected increase in eCommerce activities in the near future, our new eCommerce initiatives will generate a new revenue stream to the Company. Besides, with the fostering of close business relationship with the merchants using this payment gateway, more affinity cards and cyber cards will be issued in the near future, resulting in a good growth potential of our cardholder portfolio. We expect the cardholder base to increase to 730,000 by the end of fiscal year 2000/2001.



Card promotion campaign



Secure payment for online transactions

Managing Director's Operational Review

Branch and Kiosk Network

The new generation kiosk presents a new virtual channel for consumer business opportunities. As part of our plan to extend our services through eCommerce, we will expand our branch and kiosk network to consist of over 35 branches and 300 kiosks, including cash dispensing machines and multi-media kiosks, by fiscal year 2000/2001. Besides the revenue generated from A ϵ ON-SPOT™, we envisage an increase in the active ratio of credit card transactions with the extension of the network.



Multi-media kiosk

Call Centre

With the expected increase in online hire purchase transactions, the call centre will become a core support and backup function in our eCommerce activities. The call centre in Shenzhen is expected to start operation in June 2000 to cater for our expansion of services provided. With this establishment, we will also be well-positioned for business opportunities in the People's Republic of China.

Systems Development

The Company is planning ahead for further systems enhancement to meet the changing demands and expectations of customers for quality services. The modification of our system for A ϵ ON-SPOT™ and the MasterCard Cirrus ATM network are the priorities in the coming year.

HUMAN RESOURCES COMMITMENT

The total number of staff as at 20th February 2000 and 20th February 1999 was 290 and 273 respectively. A series of programmes is in place to recruit personnel with suitable qualifications, to retain quality staff and to realise employees' career potential.

Competitive remuneration packages and fringe benefits are being provided to all staff while discretionary bonuses are awarded to staff based on individual performance. The Company is positioned to face the challenges ahead with a resilient and dedicated workforce. The Company will continue to provide an attractive and fair working environment for the staff.

CONTRIBUTION TO THE SOCIETY

Besides the growth in size and profits, the Company remains dedicated to civic responsibilities. Contributions were made to the society during the year through its charity cards by donating 25% of the annual fee plus a predetermined percentage of credit charges to support vital charity causes in the community.

Managing Director's Operational Review

Through the donation to AEON Jusco Education and Environment Fund Limited (the "Fund"), the Company has subsidized different projects in Hong Kong and other parts of the People's Republic of China in promotion of environmental protection, cultural exchange and general welfare of the society. To further demonstrate its social responsibility to the Hong Kong community, the Fund takes up an active role of not only providing program funding to charity organizations, but also initiates and carries out environmental protection itself. An innovative Home Environmental Ambassador Project was launched in August 1999 and a Green Study Trip to Japan was organized in February 2000. To encourage the participants to disseminate what they have learnt to the community in the years to come, an Eco Living Club was set up under the Fund by the ambassadors in April 2000.



*Launching ceremony for
Home Environmental Ambassador Project*

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management and staff for their dedication and loyalty during the past year. On behalf of the management and staff of the Company, I also wish to express our sincere thanks to our customers, our business partners and our shareholders for their invaluable patronage and their continued confidence in and support to the Company.



Kazuhide Kamitani
Managing Director

Hong Kong, 19th April 2000

Management Discussion and Analysis

Although there were signs of economic recovery, personal spending continued to remain weak when compared with the time before the Asian currency crisis. Through the launching of new products and services, the Company reported a growth in earnings, with net profit for the year ended 20th February 2000 increased by 23.0% to HK\$180.0 million.

For the period under review, the Company continued to be principally engaged in the provision of consumer credit finance services, including the issuance of credit cards, the provision of vehicle financing, hire purchase financing and personal loan financing.

KEY FINANCIAL HIGHLIGHTS

The Company achieved a net profit of HK\$180.0 million for the year ended 20th February 2000, representing an increase of HK\$33.6 million or 23.0% when compared with the previous year.

Number of cardholders increased by 110,000 to 615,000 as at 20th February 2000.

Earnings per share increased by 23.0%, from 38.45 HK cents per share for the year ended 20th February 1999 to 47.29 HK cents per share for the year ended 20th February 2000.

The Directors recommended the payment of a final dividend of 7.5 HK cents per share. Together with the interim dividend of 4.0 HK cents per share already paid, the total dividend for the year increased to 11.5 HK cents per share from 10.5 HK cents per share in fiscal year 1998/99. In addition, to commemorate the tenth anniversary of the Company, the Directors also recommended a bonus issue of shares in the share capital of the Company on the basis of one new fully paid ordinary share for every ten existing ordinary shares held by the shareholders on 14th June 2000.

PERFORMANCE OF BUSINESS OPERATIONS

(a) Operating Income

Total revenue for the year was HK\$825.1 million. The increase was attributable to the growth in the number of cardholders, the introduction of the members loan and privilege loan and the set up of the call centre. 110,000 new cardholders were recruited through the newly launched Batman™ Card and the AEON Toys“R”Us MasterCard and also the AEON Jusco MasterCard. The introduction of the members loan and privilege loan help to boost up the sales volume for personal loan business. Interest income for the year ended 20th February 2000 was HK\$746.5 million, an increase of HK\$62.1 million when compared with the previous year. Interest expenses increased by HK\$27.5 million, from HK\$155.3 million for the year ended 20th February 1999, to HK\$182.8 million for the year ended 20th February 2000. By taking a relatively bearish view of the Hong Kong money market, the Company

Management Discussion and Analysis

still maintained a higher percentage of long-term bank loans as its funding base. Average funding cost was 8.6% as compared with 8.9% in fiscal year 1998/99. Other operating income increased by 23.9% to HK\$78.7 million, mainly attributed to the increase in hire purchase transactions generated through the call centre.

(b) Operating Expenses

Despite a growth in the number of cardholders and the additional services provided to the customers, operating expenses decreased by 9.5%, or HK\$28.9 million, from HK\$305.1 million to HK\$276.2 million. This was attributable to the management taking active measures to control operating expenses, especially in the advertising and administrative expenses. Cost to income ratio improved from 51.5% for the year ended 20th February 1999 to 43.0% for the year ended 20th February 2000.

(c) Charge for Bad and Doubtful Debts

The Company's net charge arising from provision for bad and doubtful debts and from bad debts written off was HK\$159.2 million for the year ended 20th February 2000, an increase of HK\$45.5 million when compared with the previous year, attributable to the high unemployment ratio in Hong Kong. Total provision for bad and doubtful debts was HK\$85.1 million, covering all credit card receivables and instalment loans receivable over two months and hire purchase debtors over three months.

BALANCE SHEET ANALYSIS

The Company's shareholders' funds as at 20th February 2000 was HK\$708.1 million, representing a growth of 23.8 %, or HK\$136.2 million, when compared with the balance as at 20th February 1999. The net asset value per share as at 20th February 2000 was HK\$1.86 per share.

(a) Debtor Balance

The Company continued its core business in both cash advance and credit purchase transactions through credit cards. Gross credit card receivables was HK\$2,227.2 million as at 20th February 2000. Gross debtor balance increased by HK\$155.9 million to HK\$2,635.4 million as at 20th February 2000.

Management Discussion and Analysis

Analysis of overdue debtor balance are as follows:-

	February 2000		August 1999		At 20th February 1999		August 1998		February 1998	
	HK\$'000	%*	HK\$'000	%*	HK\$'000	%*	HK\$'000	%*	HK\$'000	%*
Over 1 month but less than 2 months	74,314	2.8	81,594	3.2	63,810	2.6	74,245	3.2	81,390	4.2
Over 2 months but less than 3 months	20,744	0.8	26,085	1.0	23,069	0.9	28,571	1.2	31,158	1.6
Over 3 months but less than 4 months	11,106	0.4	14,697	0.6	13,303	0.5	19,820	0.9	22,138	1.1
Over 4 months	54,496	2.1	56,575	2.2	47,064	1.9	37,686	1.6	26,251	1.4
	<u>160,660</u>	<u>6.1</u>	<u>178,951</u>	<u>7.0</u>	<u>147,246</u>	<u>5.9</u>	<u>160,322</u>	<u>6.9</u>	<u>160,937</u>	<u>8.3</u>

* Percentage of total debtor balance

(b) Bank Borrowings and Capital Financing

The Company successfully completed the HK\$540 million credit card receivables securitisation of AEON Card and AEON MasterCard accounts. In addition, the Company also entered into a HK\$200 million hire purchase receivables revolving credit facility and a further HK\$360 million syndicated revolving credit facility with six international banks.

As at 20th February 2000, the Company had bank borrowings amounted to HK\$1,607.3 million, out of which HK\$925.0 million are repayable after one year. Moreover, the issued debt securities backed by credit card receivables is with a five years' revolving period unless terminated earlier by a one-time right to trigger liquidation in September 2002. To diversify its funding sources, the Company will continue to build up banking relationships with both local and international banks.

In determining the dividend payments, the directors had taken into account the Company's future working capital requirements. The objective of the Company is to provide the shareholders with increasing dividend income while at the same time possessing a capital structure appropriate to support the Company's business growth. The Company's dividend payout ratio for the financial year ended 20th February 2000 was 24.3%. The directors also proposed a bonus issue of shares on the basis of one fully paid ordinary share for every ten existing ordinary shares held on 14th June 2000.

Management Discussion and Analysis

COMPETITIVE ADVANTAGES

Synergy

The Company continued to benefit from the launching of various well-accepted credit cards to the public. Through the direct customer contact at different promotion counters set up in the various shopping centres and department stores, the number of cardholders recruited through the various credit cards continued to grow significantly in this financial year.

Know-how and Expertise

AEON Credit Service Co., Ltd. has extensive know-how and expertise in the consumer finance industry and has assisted the Company in tackling the changing market environment and bringing in innovative ideas on credit card marketing and cardholder recruitment programmes.

Targeted Customer Base

The targeted customer base of the Company is widely diversified. The new cardholders recruited in this financial year were mainly through the newly launched Batman™ Card and the AEON Toys“R”Us MasterCard and also the AEON Jusco MasterCard. The percentage of female cardholders continued to increase resulting from the successful marketing strategy and the launching of more affinity cards. Cardholders of affinity cards mainly comprise housewives and white-collar working group who maintain a high active ratio in using the cards.

Convenient Service

In providing our services, we emphasized on convenience to our customers. With our extensive cash dispensing machine and branch network, our cardholders can have easy access to our cash advance service. For credit purchase, the add-in of MasterCard merchant network to the existing house and affinity cards merchant network has provided additional convenience to our cardholders.

FOUR ELEMENTS OF SUCCESS

The four key elements of success continued to result in remarkable performance of the Company. They are (1) ongoing product and service innovation; (2) total consumer credit services; (3) operational cost effectiveness; and (4) a strong network of affiliated companies. Consumers in Hong Kong have widely accepted and appreciated the innovative consumer credit finance services provided at low costs by the Company.

Management Discussion and Analysis

YEAR 2000 ISSUE

In the Company's annual reports for fiscal years 1997/98 and 1998/99, and the interim reports for fiscal years 1998/99 and 1999/2000, the Company has disclosed information relating to the definition of Year 2000 compliance, the risks and uncertainties associated with Year 2000 issue and the work done to reduce the Company's potential exposure to the Year 2000 issue arising from disruptions to its business and operations. These details are therefore not repeated here.

The Company began Year 2000 preparations in mid 1997. The Company has completed all Year 2000 compliance modifications for the core card system with all production and back-up machines being Year 2000 compliant in 1999. A contingency plan was also implemented to cater for possible disruptions to business from Year 2000 issue.

During the transition period from 31st December 1999 to 1st January 2000, the computer systems of the Company functioned smoothly without encountering any abnormality relating to the Year 2000 issue. As at the current reporting date, the Company has not encountered any problems affecting its operations that were caused by the Year 2000 issue.

As at 20th February 2000, the total costs for the project were approximately HK\$2.5 million. There are no commitments contracted for nor authorised by the Directors in respect of Year 2000 modification costs.

Senior Management Profile

DIRECTORS

Mr. Yoshiki MORI, aged 49, is the Chairman of the Company. He is the President and one of the founders of *AEON Credit Service Co., Ltd.* in 1981. He joined the *AEON Group* in 1973 and has held various senior positions within the *AEON Group*. Mr. Mori graduated from Nanzan University, Japan with a Bachelor Degree in Economics.

Mr. Kazuhide KAMITANI, aged 43, is the Managing Director of the Company, as well as a Director of *AEON Credit Service Co., Ltd.* He graduated from Ritsumeikan University with a Bachelor of Arts Degree in Management. Mr. Kamitani joined *AEON Credit Service Co., Ltd.* in February 1982. He has been the Company's Managing Director since its commencement in June 1990.

Mr. Naruhito KURODA, aged 37, is an Executive Director of the Company. He joined the *AEON Group* in 1984. He was formerly with the Company from December 1992 to May 1995 and rejoined the Company in June 1999. During the period from June 1995 to May 1999, he was a Director of *AEON Thana Sinsap (Thailand) Co., Ltd.* Mr. Kuroda graduated from Kansai University of Foreign Study, Japan with a Bachelor Degree in English literature.

Mr. FONG Chung Leung, Gerald, aged 36, is an Executive Director of the Company. He joined the Company in July 1988 and left the Company for a period of less than 2 years and rejoined the Company in May 1991. Mr. Fong holds a Bachelor Degree in Social Science in Economics and a Master Degree in Business Administration both from the Chinese University of Hong Kong and a Master Degree in Science in Information Systems from the Hong Kong Polytechnic University.

Mr. LAI Yuk Kwong, aged 37, is an Executive Director of the Company. He joined the Company in July 1996. Mr. Lai holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of Accountants.

Mr. Kazuro ASANO, aged 58, is a Non-Executive Director of the Company. He is the Chairman of *AEON Credit Service Co., Ltd.* Prior to joining the *AEON Group* in 1998, he was the Managing Director of a major bank in Japan. Mr. Asano graduated from University of Kyoto, Japan with a Bachelor Degree in Law.

Mr. Yoichi KIMURA, aged 55, is a Non-Executive Director of the Company. He is also a Director of *Jusco Co., Ltd.* and *Jusco Stores (Hong Kong) Co., Limited.* Prior to joining the *AEON Group* in 1998, he has held various senior positions in a major bank in Japan. Mr. Kimura graduated from Hitotsubashi University, Japan with a Bachelor Degree in Economics.

Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SHAO You Bao, aged 79, graduated from Kobe University with a Bachelor Degree in Economics and received an Honorary Doctorate of Law from Ohio University. He was appointed Director of the Company in June 1995. Dr. Shao is a Director of Jusco Stores (Hong Kong) Co., Limited and 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 ("HKSAR"). Dr. Shao was awarded the Silver Bauhinia Star (SBS) Medal in October 1998. It is a fitting recognition of his distinguished public service in Hong Kong and of his valuable contribution to the preparatory work for the establishment of the HKSAR.

Mr. TSANG Wing Hong, aged 73, is a member of the Board of Trustees of United College, the Chinese University of Hong Kong. Mr. Tsang was appointed Director of the Company in June 1995.

SENIOR MANAGEMENT

Ms. Monica Y. K. KOH, aged 43, is the General Manager of the Legal and Company Secretarial Department and also the Company Secretary. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. Ms. Koh is a barrister.

Mr. Jackson S. Y. LI, aged 39, is the General Manager of the Collection Department. He joined the Company in March 1999. Mr. Li holds a Diploma in Management Studies from the Hong Kong Polytechnic University. Prior to joining the Company, Mr. Li has over 10 years experience in authorization, credit, collection and risk management field.

Mr. Jamie S. S. LEI, aged 41, is the General Manager of the Call Centre Department. He joined the Company in April 1998. Mr. Lei holds a Bachelor in Arts Major Degree in Economics from St. Francis Xavier University, Canada.

Ms. Dorothy F. K. CHAN, aged 31, is the Financial Controller of the Company. She joined the Company in April 1995. Miss Chan holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of Accountants.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2000 Annual General Meeting of AEON Credit Service (Asia) Company Limited (the “Company”) will be held at Gloucester Room II, 3/F., The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 14th June 2000 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 20th February 2000.
2. To declare a Final Dividend for the year ended 20th February 2000.
3. To re-elect Directors and authorise the Board of Directors to fix their remuneration.
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

5. **“THAT:**
 - (a) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares of HK\$0.10 each in the capital of the Company (“Bonus Shares”) to be issued pursuant to this Resolution, a sum of HK\$3,806,960 standing to the credit of the share premium account of the Company, or such greater or lesser sum as shall be necessary to give effect to the issue of the Bonus Shares pursuant to this Resolution, be capitalised and the Directors be and are hereby authorised to apply such sum in paying up in full at HK\$0.10 per share such number of Bonus Shares to be allotted and credited as fully paid to and among the shareholders whose names appear on the register of members of the Company on 14th June 2000 on the basis of one Bonus Share for every ten existing shares held by such shareholders on such date and that the Bonus Shares to be allotted and issued pursuant to this Resolution shall rank *pari passu* in all respects with the existing issued shares of the Company except that they will not be entitled to participate in any dividend declared or recommended by the Company in respect of the year ended 20th February 2000;
 - (b) no fractional shares shall be allotted to shareholders of the Company but fractional entitlements shall be aggregated and sold for the benefit of the Company; and
 - (c) the Directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary or expedient to give effect to the bonus issue of shares as mentioned above.”
6. **“THAT** the authorised share capital of the Company be and is hereby increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 ordinary shares of HK\$0.10 each ranking *pari passu* in all respects with the existing ordinary shares in the capital of the Company.”
7. **“THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

Notice of Annual General Meeting

- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below), (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into shares, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries of shares or rights to acquire shares of the Company and (iv) any scrip dividend scheme or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution as enlarged by the bonus issue of shares pursuant to Resolution 5 set out in the notice convening this meeting and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

8. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules as amended from time to time, be and is hereby generally and unconditionally approved;

Notice of Annual General Meeting

- (b) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above, shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution as enlarged by the bonus issue of shares pursuant to Resolution 5 set out in the notice convening this meeting and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:
- “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.”
9. **“THAT** conditional upon the passing of Resolutions 7 and 8 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to issue and dispose of additional shares pursuant to Resolution 7 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 8 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution as enlarged by the bonus issue of shares pursuant to Resolution 5 set out in the notice convening this meeting.”

By Order of the Board
KOH Yik Kung
Company Secretary

Hong Kong, 4th May 2000

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notorally certified copy of that power of attorney or authority, must be deposited at the office of the Company's Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) The Register of Members of the Company will be closed from 8th June 2000 to 14th June 2000 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the final dividend and the bonus issue of shares to be approved at the annual general meeting, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 7th June 2000.
- (4) A circular containing further details regarding Resolutions 5 to 9 above will be sent to members shortly.

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 20th February 2000.

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of consumer credit finance services which include the issuance of credit cards, provision of vehicle financing, hire purchase financing and personal loan financing. The Company's interest income, fee and commission income for the year ended 20th February 2000 analysed by principal activities are as follows:

	HK\$'000
Interest income	
Credit card	705,210
Vehicle financing	17,739
Hire purchase	661
Personal loan	10,809
Bank deposits	12,036
	<hr/>
	746,455
	<hr/>
Fee and commission	
Credit card	24,180
Hire purchase	24,587
	<hr/>
	48,767
	<hr/>
Total turnover	<u><u>795,222</u></u>

Contributions analysed by product types have not been presented as their ratios to turnover are substantially in line with the overall ratio of profit to turnover.

Over 90% of the Company's interest income, fee and commission income and profit are derived from operations carried out in Hong Kong.

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 20th February 2000 are set out in the income statement on page 32 of the annual report.

An interim dividend of 4.0 HK cents (1999: 3.5 HK cents) per share amounting to HK\$15,228,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7.5 HK cents (1999: 7.0 HK cents) per share to the shareholders on the register of members on 14th June 2000 amounting to HK\$28,552,000, and the retention of the remaining profit for the year of HK\$136,240,000. The directors propose a bonus issue of shares on the basis of one fully paid ordinary share for every ten ordinary shares held on 14th June 2000.

MAJOR CUSTOMERS

During the year, the Company derived less than 30% of its income from its five largest customers.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the past five financial years is set out on page 56 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in notes 23 and 24 to the financial statements.

BORROWINGS

Details of bank borrowings of the Company are set out in note 22 to the financial statements.

No interest was capitalised by the Company during the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Company spent approximately HK\$15.5 million on computer equipment and HK\$2.1 million on leasehold improvements.

Details of these and other movements in property, plant and equipment of the Company during the year are set out in note 13 to the financial statements.

Directors' Report

DIRECTORS

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

Executive directors:

Kazuhide KAMITANI (<i>Managing director</i>)	
Naruhito KURODA	<i>(appointed on 16th June 1999)</i>
FONG Chung Leung, Gerald	<i>(appointed on 16th June 1999)</i>
LAI Yuk Kwong	<i>(appointed on 16th June 1999)</i>
Yasuhiko KONDO	<i>(resigned on 16th June 1999)</i>

Non-executive directors:

Yoshiki MORI (<i>Chairman</i>)	
Kazuro ASANO	<i>(appointed on 16th June 1999)</i>
Yoichi KIMURA	<i>(appointed on 16th June 1999)</i>
Yutaka SUGIHASHI	<i>(resigned on 16th June 1999)</i>
Eiji AKIYAMA	<i>(resigned on 16th June 1999)</i>

Independent non-executive directors:

SHAO You Bao
TSANG Wing Hong

In accordance with Article 101 of the Company's Articles of Association, all remaining directors shall retire at the forthcoming annual general meeting and shall be eligible for re-election. All non-executive and independent non-executive directors have been appointed for a term of one year subject to the requirement of the above Article to retire.

DIRECTORS' SERVICE CONTRACTS

Mr. Kazuhide Kamitani has entered into a service contract with the Company with no specific tenure; in which the contract can be terminated by either party with not less than 90 days' notice in writing to the other.

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

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

At 20th February 2000, the interests of the directors and chief executives and their associates in the share capital 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

Directors	Number of shares held under personal interests
Yoshiki Mori	300,000
Kazuhide Kamitani	950,000
Naruhito Kuroda	48,000
Fong Chung Leung, Gerald	50,000
Shao You Bao	300,000
Tsang Wing Hong	200,000

(b) AEON Credit Service Co., Ltd. – immediate holding company of the Company

Directors	Number of shares held under personal interests
Yoshiki Mori	12,766
Kazuhide Kamitani	3,832
Naruhito Kuroda	400
Kazuro Asano	620

(c) Jusco Co., Ltd. – ultimate holding company of the Company

Directors	Number of shares held under personal interests
Yoshiki Mori	3,000
Yoichi Kimura	2,000

(d) Jusco Stores (Hong Kong) Co., Limited – a fellow subsidiary of the Company

Directors	Number of shares held under personal interests
Kazuhide Kamitani	300,000
Shao You Bao	200,000

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Cont'd)

Other than disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in Section 29 of the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTIONS

During the year, the Company had the following transactions:

- (i) The Company provides credit facilities to the customers of Jusco Stores (Hong Kong) Co., Limited ("Jusco HK"), a fellow subsidiary, under which Jusco HK pays commission to the Company in respect of certain purchases made by customers with the use of the Jusco Card, the AEON Jusco MasterCard and the AEON Card and certain purchases which are financed by interest free hire purchase credit facilities provided by the Company, both through the call centre of the Company and/or at the stores of Jusco HK. There is no formal agreement between the Company and Jusco HK except for the use of the Jusco Card and the AEON Jusco MasterCard.

To strengthen the co-operation with Jusco HK, starting from 17th December 1999, the Company through its call centre processes purchase orders from the customers for purchase of products offered by Jusco HK. The Company also provides credit services to such customers. Commission rates payable by Jusco HK to the Company in relation to such credit services are 4% and 6% respectively for 6 month and 12 month interest-free hire purchase, 0.8% for credit purchase charged to Jusco Card and AEON Jusco MasterCard and 1.3% for credit purchase charged to AEON Card.

For purchases made at the stores of Jusco HK using Jusco Card and AEON Jusco MasterCard, the commission rates are 0.8% for the year ended 20th February 2000 except that with effect from 20th August 1999, the commission rate on Thanksgiving Days and Jusco Private Sale was reduced from 0.8% to 0.6%. For AEON Card, the commission rate is 1.3% for the year ended 20th February 2000. For purchases made at the stores of Jusco HK financed by interest-free hire purchase credit facilities, commission rates for the 6 month, 9 month and 12 month interest-free hire purchase are 3%, 2.5% and 5% respectively for the year ended 20th February 2000. The Company launched the 18 and 24 month interest-free hire purchase programs on 31st March 1999 with commission rates of 7.6% and 10% respectively.

The total amount of commission received by the Company for the year ended 20th February 2000 under these arrangements was HK\$15,473,000, representing 2.2% of the Company's net tangible assets at 20th February 2000.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

- (ii) On 11th October 1999, the Company renewed one licence agreement with Jusco HK for the operation of a branch inside the Jusco store located at East Point City of Tseung Kwan O, with a licence area of 818 sq. ft. The new licence fee is HK\$65,000 per month and the licence period is from 11th October 1999 to 10th October 2001.

On 20th November 1999, the Company renewed one licence agreement with Jusco HK for the operation of a branch inside the Jusco store located at Kornhill Plaza (South), with a licence area of 878 sq. ft. The new licence fee is HK\$132,000 per month and the licence period is from 20th November 1999 to 29th February 2000.

On 18th January 2000, the Company renewed one licence agreement with Jusco HK for the operation of a branch inside the Jusco store located at Tsuen Wan Plaza, with a licence area of 800 sq. ft. The new licence fee is HK\$70,000 per month and the licence period is from 18th January 2000 to 17th January 2002.

The Company currently has existing licence agreements with Jusco HK for the operation of branches inside the Jusco stores located at Tsz Wan Shan Shopping Centre, Tai Po Centre Shopping Arcade, Lok Fu Shopping Centre II, Tuen Mun Town Plaza and inside the Whampoa Jusco Store with a monthly licence fee of HK\$43,000, HK\$30,000, HK\$72,000, HK\$63,000 and HK\$100,000 respectively. The licence area for the Tsz Wan Shan branch is 520 sq. ft. and the licence period is from 1st March 1998 to 29th February 2000. The licence area for the Tai Po branch is 200 sq. ft. and the licence period is from 20th November 1998 to 19th November 2000. The licence area for the Lok Fu branch is 603 sq. ft. and the licence period is from 20th November 1998 to 28th April 2000. The licence area for the Tuen Mun branch is 418 sq. ft. and the licence period is from 1st December 1998 to 30th November 2000. The licence area for the Whampoa branch is 1,193 sq. ft. and the licence period is from 7th November 1998 to 6th November 2000.

All licences above are for a fixed term only and will expire on the dates stated above with no options for renewal.

The total amount of licence fees paid by the Company for the year ended 20th February 2000 was HK\$6,894,000, representing 1.0% of the Company's net tangible assets at 20th February 2000.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

- (iii) Under a name licence and territory agreement (and a supplementary agreement thereto) with Jusco Co., Ltd. ("Jusco Japan"), the Company's ultimate holding company, the Company has exclusive right to use the AEON trade mark and trade name (the "Trade Mark"), in relation to the business and/or goods sold or services provided by the Company within Hong Kong, Macau and Guangdong province including Shenzhen of the People's Republic of China ("the territory") and the grant of non-exclusive right to use the Trade Mark in relation to the business and/or goods sold or services provided by the Company outside the territory. The name licence and territory agreement also provides that Jusco Japan (and its affiliates) will not carry on any business which competes with the Company within the same territory. The total amount of licence fee payable by the Company for the year ended 20th February 2000 was HK\$35,000.
- (iv) Under a territory agreement (and a supplementary agreement thereto) with AEON Credit Service Co., Ltd. ("AEON Japan"), the Company's immediate holding company, AEON Japan (and its affiliates) will not carry on any business which competes with the Company within the same territory. No consideration has been paid by the Company under the terms of this agreement during the year.
- (v) The Company and Jusco HK established the AEON Jusco Education and Environment Fund Limited (the "Fund"), a company limited by guarantee and not having a share capital. 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 People's Republic of China. The amount of donation made to the Fund by the Company for the year ended 20th February 2000 was HK\$2,091,000, representing 0.3% of the Company's net tangible assets at 20th February 2000.

The transactions mentioned in (i) to (iv) above have been reviewed by the Company's independent non-executive directors. The independent non-executive directors confirm that these transactions were entered into by the Company in the ordinary and usual course of business and on normal commercial terms or terms that were fair and reasonable as far as the Company and the Company's shareholders are concerned.

The independent non-executive directors also confirm that the transactions were entered into in accordance with the terms of the agreement governing such transactions or on terms no less favourable than terms available to third parties.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its holding companies or 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 20th February 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares	%
AEON Credit Service Co., Ltd. (Note 1)	197,740,000	51.9
Jusco Co., Ltd. (Note 2)	252,080,000	66.2

Notes:

- (1) Out of the 197,740,000 shares, 193,740,000 shares are held by AEON Credit Service Co., Ltd. and 4,000,000 shares are held by Nomura Securities (HK) Limited, as nominee on behalf of AEON Credit Service Co., Ltd.
- (2) Jusco Co., Ltd. was the direct beneficial owner of 50,900,000 shares in the capital of the Company and, by virtue of its ownership of approximately 43.33% and 71.64% of the issued share capital of AEON Credit Service Co., Ltd. and Jusco Stores (Hong Kong) Co., Limited respectively, was deemed, for the purposes of the SDI Ordinance, to be interested in the 197,740,000 and 3,440,000 shares owned by AEON Credit Service Co., Ltd. and Jusco Stores (Hong Kong) Co., Limited respectively.

Other than disclosed above, the Company had not been notified of any other interests representing 10% or more in the Company's issued share capital as at 20th February 2000.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its holding companies or 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, there was no purchase, sale or redemption by the Company of its listed securities.

DONATIONS

During the year, the Company made charitable and other donations amounting to HK\$2,789,000.

Directors' Report

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 20th February 2000 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. The Company established an Audit Committee comprising Messrs. Shao You Bao and Tsang Wing Hong, independent non-executive directors and Messrs. Yoshiki Mori and Yoichi Kimura, non-executive directors. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

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

On behalf of the Board



Kazuhide KAMITANI

Managing Director

Hong Kong, 19th April 2000

Auditors' Report

**Deloitte Touche
Tohmatsu**



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

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

TO THE SHAREHOLDERS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 32 to 55 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 Company's circumstances, 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 the Company's affairs as at 20th February 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.



Deloitte Touche Tohmatsu
Certified Public Accountants

19th April 2000

Income Statement

For the year ended 20th February 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Turnover	4	<u>795,222</u>	<u>717,900</u>
Interest income		746,455	684,361
Interest expense	5	<u>(182,750)</u>	<u>(155,275)</u>
Net interest income		563,705	529,086
Other operating income	6	<u>78,656</u>	<u>63,488</u>
Operating income		642,361	592,574
Operating expenses	7	<u>(276,157)</u>	<u>(305,056)</u>
Operating profit before provisions		366,204	287,518
Charge for bad and doubtful debts	9	<u>(159,184)</u>	<u>(113,731)</u>
Profit before taxation		207,020	173,787
Income tax	10	<u>(27,000)</u>	<u>(27,397)</u>
Net profit for the year		180,020	146,390
Dividends	11	<u>(43,780)</u>	<u>(39,973)</u>
Profit retained for the year		<u>136,240</u>	<u>106,417</u>
Earnings per share	12	<u>47.29 cents</u>	<u>38.45 cents</u>

There were no recognised gains or losses other than the net profit for the year.

Balance Sheet

At 20th February 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Property, plant and equipment	<i>13</i>	40,931	43,296
Interest in an associate	<i>14</i>	495	–
Investment securities	<i>15</i>	9,695	6,881
Hire purchase debtors	<i>16</i>	70,661	72,328
Instalment loans receivable	<i>17</i>	4,863	18
Pledged time deposits	<i>30 (c)</i>	120,724	5,695
		247,369	128,218
Current assets			
Hire purchase debtors	<i>16</i>	248,899	194,079
Instalment loans receivable	<i>17</i>	80,938	7,384
Credit card receivables	<i>18</i>	2,144,926	2,122,649
Prepayments, deposits and other debtors		76,941	58,413
Pledged time deposits	<i>30 (d)</i>	12,613	12,587
Time deposits		122,205	64,499
Bank balances and cash		54,922	66,653
		2,741,444	2,526,264
Current liabilities			
Creditors and accrued charges		78,891	88,614
Amount due to immediate holding company	<i>19</i>	52	86
Amount due to a fellow subsidiary	<i>20</i>	42,835	72,319
Amount due to ultimate holding company	<i>21</i>	35	–
Bank borrowings-repayable within one year	<i>22</i>	682,307	1,107,454
Proposed dividend		28,552	26,649
Taxation		11,652	12,484
		844,324	1,307,606
Net current assets		1,897,120	1,218,658
		2,144,489	1,346,876

Balance Sheet

At 20th February 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Capital and reserves			
Issued capital and capital reserves	23	269,478	269,478
Accumulated profits	24	438,638	302,398
		<u>708,116</u>	<u>571,876</u>
Non-current liabilities			
Bank borrowings-repayable after one year	22	925,000	775,000
Issued debt securities	25	511,373	–
		<u>1,436,373</u>	<u>775,000</u>
		<u>2,144,489</u>	<u>1,346,876</u>

The financial statements on pages 32 to 55 were approved by the Board of Directors on 19th April 2000 and are signed on its behalf by:



DIRECTOR



DIRECTOR

Cash Flow Statement

For the year ended 20th February 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	27	<u>198,982</u>	<u>(141,874)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(178,463)	(147,776)
Dividends paid		(41,877)	(39,981)
Dividends received on investment securities		-	124
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(220,340)</u>	<u>(187,633)</u>
TAXATION			
Hong Kong Profits Tax paid		(27,832)	(26,131)
Hong Kong Profits Tax refunded		-	113
NET CASH OUTFLOW FROM TAXATION		<u>(27,832)</u>	<u>(26,018)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,270)	(21,951)
Acquisition of interest in an associate		(495)	-
Increase in pledged time deposits		(115,055)	(5,042)
Purchase of investment securities		(2,814)	(3,060)
CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(136,634)</u>	<u>(30,053)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(185,824)</u>	<u>(385,578)</u>
FINANCING	28		
New bank loans		836,500	1,677,500
Repayment of bank loans		(1,045,500)	(1,359,500)
Issue of debt securities		540,000	-
Costs in connection with issue of debt securities		(33,054)	-
Shares repurchased and cancelled		-	(1,557)
NET CASH INFLOW FROM FINANCING		<u>297,946</u>	<u>316,443</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>112,122</u>	<u>(69,135)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>(287,302)</u>	<u>(218,167)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>(175,180)</u></u>	<u><u>(287,302)</u></u>

Cash Flow Statement

For the year ended 20th February 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits		122,205	64,499
Bank balances and cash		54,922	66,653
Bank loans		(350,000)	(416,000)
Bank overdrafts		(2,307)	(2,454)
		<u>(175,180)</u>	<u>(287,302)</u>

Notes to the Financial Statements

For the year ended 20th February 2000

1. GENERAL

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

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

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted, for the first time, the following Statements of Standard Accounting Practice (SSAPs):

SSAP 1 (<i>Revised</i>)	Presentation of financial statements
SSAP 2 (<i>Revised</i>)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 10 (<i>Revised</i>)	Accounting for investments in associates
SSAP 24	Accounting for investments in securities

SSAP 1 (Revised) and SSAP 2 (Revised) are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of those standards. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular, additional analyses of income and expenses have been presented.

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards.

None of the amendments outlined above has affected the results for the current or prior periods.

SSAP 10 (Revised) has not resulted in any significant changes to the accounting treatment adopted for associates and, accordingly no prior period adjustment has been required. Disclosures presented have been modified to meet the requirements of the new standard.

Notes to the Financial Statements

For the year ended 20th February 2000

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

SSAP 24 has introduced a new framework for the classification of investments in securities. In adopting SSAP 24, the Company has selected the benchmark treatment for securities other than held to maturity securities. Under SSAP 24, investments in securities are now classified as held-to-maturity (carried at amortised cost less provision for irrecoverable amounts), investment securities (carried at cost less impairment) and other investments (carried at fair value, with valuation movements dealt with in the income statement). The adoption of this standard has not resulted in any significant changes to the accounting treatment and, accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

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

Commission income is recognised in the income statement when earned.

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

Notes to the Financial Statements

For the year ended 20th February 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

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

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are not discounted to their present values.

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

Interest in associates

An associate is an enterprise over which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

Investment in associate is stated at cost, as reduced by any decline in the value of the associate that is other than temporary. Results of associates are accounted for by the Company on the basis of dividends received or receivable during the year.

Notes to the Financial Statements

For the year ended 20th February 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in securities

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

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments. Investment securities, which are securities held for an identified long-term purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

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

Hire purchase contracts

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

Provision for bad and doubtful debts

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

Notes to the Financial Statements

For the year ended 20th February 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Issued debt securities

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

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the lease terms.

Foreign currencies

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

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 under 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.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

Off balance sheet financial instruments

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

Notes to the Financial Statements

For the year ended 20th February 2000

4. TURNOVER

Turnover represents the finance charges from hire purchase contracts, interest earned on loans and credit card advances, fee, commission income, and interest on bank deposits and is summarised as follows:

	2000 HK\$'000	1999 HK\$'000
Interest income		
Credit card	705,210	657,526
Vehicle financing	17,739	18,092
Hire purchase	661	816
Personal loan	10,809	3,678
Bank deposits	12,036	4,249
	<u>746,455</u>	<u>684,361</u>
Fee and commission		
Credit card	24,180	20,008
Hire purchase	24,587	13,531
	<u>48,767</u>	<u>33,539</u>
Total	<u><u>795,222</u></u>	<u><u>717,900</u></u>

5. INTEREST EXPENSE

	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	159,751	155,275
Finance costs on issue of debt securities not wholly repayable within five years	22,999	-
	<u>182,750</u>	<u>155,275</u>

Notes to the Financial Statements

For the year ended 20th February 2000

6. OTHER OPERATING INCOME

	2000 HK\$'000	1999 HK\$'000
Dividends received on investment securities	-	124
Fee and commission		
Credit card	24,180	20,008
Hire purchase	24,587	13,531
Handling, late and storage charges	20,270	22,808
Others	9,619	7,017
	<u>78,656</u>	<u>63,488</u>

7. OPERATING EXPENSES

	2000 HK\$'000	1999 HK\$'000
Administrative expenses	57,918	71,603
Advertising expenses	33,636	52,492
Auditors' remuneration	1,050	769
Depreciation	20,580	19,743
Directors' emoluments (note 8)	5,941	4,147
Loss on disposal of property, plant and equipment	55	155
Operating lease rentals in respect of rented premises and advertising space	52,144	50,425
Other operating expenses	35,554	34,022
Staff costs excluding directors' emoluments	69,279	71,700
	<u>276,157</u>	<u>305,056</u>

Operating lease rentals in respect of directors' accommodation and staff quarters of HK\$754,000 (1999: HK\$822,000) and HK\$1,269,000 (1999: HK\$1,600,000) are included under directors' other emoluments which are disclosed in note 8 and staff costs respectively.

Notes to the Financial Statements

For the year ended 20th February 2000

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2000 HK\$'000	1999 HK\$'000
Directors' fees:		
Executive	-	-
Non-executive	480	480
Independent non-executive	330	300
	<u>810</u>	<u>780</u>
Other emoluments to executive directors:		
Salaries, housing benefits, other allowances and benefits	4,373	2,837
Discretionary bonus	758	530
	<u>5,941</u>	<u>4,147</u>

The emoluments of the directors were within the following bands:

	2000 No. of directors	1999
HK\$ nil to HK\$1,000,000	11	5
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$1,500,001 to HK\$2,000,000	-	-
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>11</u>	<u>7</u>

During the year, the five highest paid individuals included four directors (1999: two directors), details of whose emoluments are set out in above. The emolument paid to the remaining individual (1999: three individuals) was as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and other benefits	1,471	3,086
Discretionary bonus	46	448
	<u>1,517</u>	<u>3,534</u>

Notes to the Financial Statements

For the year ended 20th February 2000

9. CHARGE FOR BAD AND DOUBTFUL DEBTS

	2000 HK\$'000	1999 HK\$'000
Specific charge	148,400	101,023
General charge	10,784	12,708
	<u>159,184</u>	<u>113,731</u>

10. INCOME TAX

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Details of the deferred tax (charge) credit not provided for during the year are set out in note 26.

11. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim dividend of 4.0 HK cents (1999: 3.5 HK cents) per share	15,228	13,324
Final dividend proposed of 7.5 HK cents (1999: 7.0 HK cents) per share	28,552	26,649
	<u>43,780</u>	<u>39,973</u>

The amount of final dividend proposed has been calculated on the basis of 380,696,000 shares in issue at 19th April 2000.

Notes to the Financial Statements

For the year ended 20th February 2000

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$180,020,000 (1999: HK\$146,390,000) and on the weighted average number of 380,696,000 (1999: 380,770,000) shares in issue during the year.

The directors propose a bonus issue of shares on the basis of one fully paid ordinary share for every ten ordinary shares held on 14th June 2000. The adjustment to earnings per share arising from the bonus issue is set out below:

	HK cents
Reported figure before adjustment	47.29
Adjustment arising on the bonus issue	(4.30)
Adjusted figure	<u>42.99</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 21st February 1999	17,959	4,807	72,867	698	96,331
Additions	2,075	670	15,525	-	18,270
Disposals	(655)	-	(163)	-	(818)
At 20th February 2000	19,379	5,477	88,229	698	113,783
DEPRECIATION					
At 21st February 1999	9,512	1,902	40,981	640	53,035
Provided for the year	5,240	813	14,484	43	20,580
Eliminated on disposals	(655)	-	(108)	-	(763)
At 20th February 2000	14,097	2,715	55,357	683	72,852
NET BOOK VALUES					
At 20th February 2000	5,282	2,762	32,872	15	40,931
At 20th February 1999	8,447	2,905	31,886	58	43,296

Notes to the Financial Statements

For the year ended 20th February 2000

14. INTEREST IN AN ASSOCIATE

	2000 HK\$'000	1999 HK\$'000
Unlisted shares at cost	<u>495</u>	<u>–</u>

Details of the Company's associate at 20th February 2000 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
AEON Credit Service (Taiwan) Co., Ltd.	Republic of China	20%	20%	Consumer credit finance services

The associate commenced business in January 2000.

15. INVESTMENT SECURITIES

	2000 HK\$'000	1999 HK\$'000
At cost:		
Listed shares		
– Hong Kong	3,541	3,541
– Overseas	3,059	–
Unlisted shares	<u>3,095</u>	<u>3,340</u>
	<u>9,695</u>	<u>6,881</u>
Market value of listed shares		
– Hong Kong	1,172	906
– Overseas	<u>114,286</u>	<u>–</u>
	<u>115,458</u>	<u>906</u>

Notes to the Financial Statements

For the year ended 20th February 2000

16. HIRE PURCHASE DEBTORS

	2000 HK\$'000	1999 HK\$'000
Due:		
Within one year	250,331	196,019
Thereafter	71,068	73,052
	<u>321,399</u>	<u>269,071</u>
Provision for bad and doubtful debts	(1,839)	(2,664)
	<u>319,560</u>	<u>266,407</u>
Current portion included under current assets	(248,899)	(194,079)
	<u>70,661</u>	<u>72,328</u>

The total costs of assets acquired for leasing to customers under hire purchase contracts during the year and the aggregate rentals receivable amounted to HK\$498,808,000 and HK\$472,430,000 (1999: HK\$412,050,000 and HK\$440,494,000) respectively.

17. INSTALMENT LOANS RECEIVABLE

	2000 HK\$'000	1999 HK\$'000
Due:		
Within one year	81,947	7,832
Thereafter	4,924	19
	<u>86,871</u>	<u>7,851</u>
Provision for bad and doubtful debts	(1,070)	(449)
	<u>85,801</u>	<u>7,402</u>
Current portion included under current assets	(80,938)	(7,384)
	<u>4,863</u>	<u>18</u>

Notes to the Financial Statements

For the year ended 20th February 2000

18. CREDIT CARD RECEIVABLES

	2000 HK\$'000	1999 HK\$'000
Credit card receivables	2,227,155	2,202,635
Provision for bad and doubtful debts	<u>(82,229)</u>	<u>(79,986)</u>
	<u>2,144,926</u>	<u>2,122,649</u>

19. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

20. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

22. BANK BORROWINGS

	2000 HK\$'000	1999 HK\$'000
Bank overdraft, unsecured	2,307	2,454
Bank loans, unsecured	1,445,000	1,880,000
Bank loans, secured	<u>160,000</u>	<u>–</u>
	<u>1,607,307</u>	<u>1,882,454</u>
The maturity of bank borrowings is as follows:		
Within one year	682,307	1,107,454
Between one and two years	520,000	610,000
Between two to five years	<u>405,000</u>	<u>165,000</u>
	1,607,307	1,882,454
Amount repayable within one year included under current liabilities	<u>(682,307)</u>	<u>(1,107,454)</u>
Amount repayable after one year	<u>925,000</u>	<u>775,000</u>

Notes to the Financial Statements

For the year ended 20th February 2000

23. ISSUED CAPITAL AND CAPITAL RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 21st February 1998	38,173	231,138	167	269,478
Shares repurchased and cancelled	(103)	–	103	–
At 20th February 1999 and 20th February 2000	<u>38,070</u>	<u>231,138</u>	<u>270</u>	<u>269,478</u>

The authorised share capital of the Company is 500 million ordinary shares of HK\$0.1 each.

24. ACCUMULATED PROFITS

	2000 HK\$'000	1999 HK\$'000
At 21st February	302,398	197,538
Shares repurchased and cancelled	–	(1,557)
Net profit for the year	180,020	146,390
Dividends	(43,780)	(39,973)
At 20th February	<u>438,638</u>	<u>302,398</u>

The Company's reserves available for distribution to shareholders as at 20th February 2000 amounted to HK\$438,638,000 (1999: HK\$302,398,000).

Notes to the Financial Statements

For the year ended 20th February 2000

25. ISSUED DEBT SECURITIES

	2000 HK\$'000	1999 HK\$'000
Consideration received on the issue	540,000	-
Costs in connection with issue of debt securities (unamortised portion)	(28,627)	-
	<u>511,373</u>	<u>-</u>

During the year, the Company raised new financing of HK\$540 million through the issue of certificates backed by credit card receivables in Hong Kong (the "Transaction") for funding its operations. The monthly interest of the debt securities is determined at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.75% per annum. The Transaction has a five years' revolving period unless terminated earlier by a one-time right to trigger liquidation in September 2002.

26. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the deferred tax (liabilities) assets unprovided are as follows:

	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(5,392)	(3,681)
General provision for bad and doubtful debts	3,125	5,765
	<u>(2,267)</u>	<u>2,084</u>
Net deferred tax (liabilities) assets	<u>(2,267)</u>	<u>2,084</u>

No provision for deferred taxation has been recognised in the financial statements in respect of timing differences arising during the year as it is not expected that the potential deferred taxation liability will reverse in the foreseeable future, after taking into account the Company's medium-term financial plans and projections.

Notes to the Financial Statements

For the year ended 20th February 2000

26. UNPROVIDED DEFERRED TAXATION (Cont'd)

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

	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:		
(Excess) shortfall of tax allowances over depreciation	(1,711)	86
General provision for bad and doubtful debts	(2,640)	859
	<u>(4,351)</u>	<u>945</u>

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	207,020	173,787
Interest expense	182,750	155,275
Dividends received on investment securities	-	(124)
Depreciation	20,580	19,743
Loss on disposal of property, plant and equipment	55	155
Increase in provision for bad and doubtful debts	2,039	26,184
(Increase) decrease in hire purchase debtors	(52,328)	27,597
(Increase) decrease in instalment loans receivable	(79,020)	5,645
Increase in credit card receivables	(24,520)	(581,700)
Increase in prepayments, deposits and other debtors	(18,528)	(3,380)
(Decrease) increase in creditors and accrued charges	(9,583)	12,081
(Decrease) increase in amount due to immediate holding company	(34)	42
(Decrease) increase in amount due to a fellow subsidiary	(29,484)	22,821
Increase in amount due to ultimate holding company	35	-
Net cash inflow (outflow) from operating activities	<u>198,982</u>	<u>(141,874)</u>

Notes to the Financial Statements

For the year ended 20th February 2000

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Issued debt securities	Bank loans
	HK\$'000	HK\$'000
At 21st February 1998	–	1,146,000
New loans raised	–	1,677,500
Repayment of loans	–	(1,359,500)
	<hr/>	<hr/>
At 20th February 1999	–	1,464,000
New loans raised	540,000	836,500
Repayment of loans	–	(1,045,500)
Costs in connection with issue of debt securities	(33,054)	–
Other movement not involving cash:		
Amortisation of costs in connection with issue of debt securities included in interest expense	4,427	–
	<hr/>	<hr/>
At 20th February 2000	<u>511,373</u>	<u>1,255,000</u>

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had the following outstanding annual commitments under non-cancellable operating leases in respect of rented premises and advertising space as follows:

	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	10,895	7,382
In the second to fifth year inclusive	20,395	38,881
	<hr/>	<hr/>
	<u>31,290</u>	<u>46,263</u>

Notes to the Financial Statements

For the year ended 20th February 2000

30. PLEDGE OF ASSETS

- (a) At 20th February 2000, the Company's issued debt securities were secured by credit card receivables of HK\$671,195,000 (1999: NIL).
- (b) At 20th February 2000, the Company's bank loans of HK\$160,000,000 were secured by hire purchase debtors of HK\$205,362,000 (1999: NIL).
- (c) The pledged time deposits include special deposits amounting to HK\$100,494,000 (1999: NIL) maintained pursuant to the terms of the securisation agreements for the issued debt securities. The remaining balance of HK\$20,230,000 (1999: HK\$5,695,000) represents a pledge to a licensor of a credit card to secure a credit card license granted to the Company.
- (d) The Company also pledged time deposits of HK\$12,613,000 (1999: HK\$12,587,000) to banks to secure the general banking facilities and the sharing of ATM network.

31. FINANCIAL INSTRUMENTS

- (a) At the balance sheet date, the Company had interest rate cap, interest rate swap and currency swap agreements which were for hedging purpose for an aggregate notional principal amount of HK\$700,000,000 (1999: HK\$80,000,000), HK\$50,000,000 (1999: NIL) and HK\$100,000,000 (1999: NIL) respectively with financial institutions.
- (b) The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agents.

Notes to the Financial Statements

For the year ended 20th February 2000

32. RELATED PARTY TRANSACTIONS

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

		Fellow subsidiary		Ultimate holding company		AEON Jusco Education and Environment Fund Limited	
		2000	1999	2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission received	a)	<u>15,473</u>	<u>10,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licence fees paid	b)	<u>6,894</u>	<u>5,053</u>	<u>35</u>	<u>35</u>	<u>-</u>	<u>-</u>
Donation	c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,091</u>	<u>1,755</u>

- a) Commission rates payable by the fellow subsidiary to the Company are based on the terms agreed by both parties.
- b) Licence fees paid were calculated in accordance with the licence agreements.
- c) AEON Jusco Education and Environment Fund Limited (the "Fund") is a company limited by guarantee and not having a share capital. The Company is a member of the Fund. The objective of the Fund is to promote environment protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the People's Republic of China. The amount was calculated based on 1% of the Company's year end profit before taxation and donation.



Financial Summary

RESULTS

	For the year ended 20th February				
	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>238,509</u>	<u>347,101</u>	<u>524,634</u>	<u>717,900</u>	<u>795,222</u>
Profit before taxation	57,552	92,697	134,469	173,787	207,020
Income tax	<u>(10,038)</u>	<u>(15,806)</u>	<u>(22,350)</u>	<u>(27,397)</u>	<u>(27,000)</u>
Net profit for the year	<u>47,514</u>	<u>76,891</u>	<u>112,119</u>	<u>146,390</u>	<u>180,020</u>

ASSETS AND LIABILITIES

	At 20th February				
	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,030,500	1,518,245	2,087,602	2,654,482	2,988,813
Total liabilities	<u>(797,857)</u>	<u>(1,123,634)</u>	<u>(1,620,586)</u>	<u>(2,082,606)</u>	<u>(2,280,697)</u>
Shareholders' funds	<u>232,643</u>	<u>394,611</u>	<u>467,016</u>	<u>571,876</u>	<u>708,116</u>