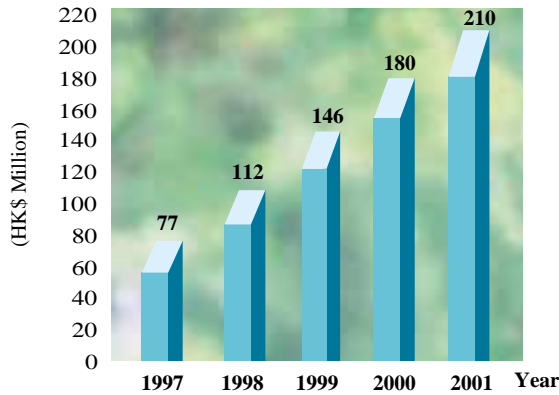
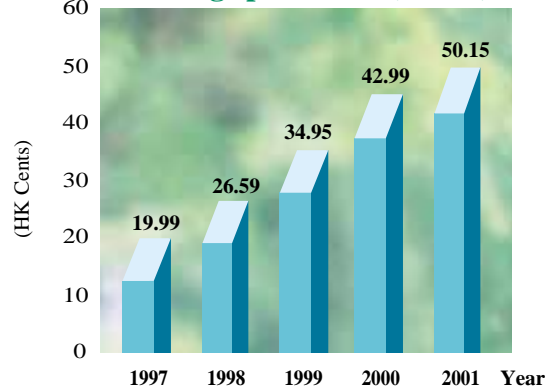


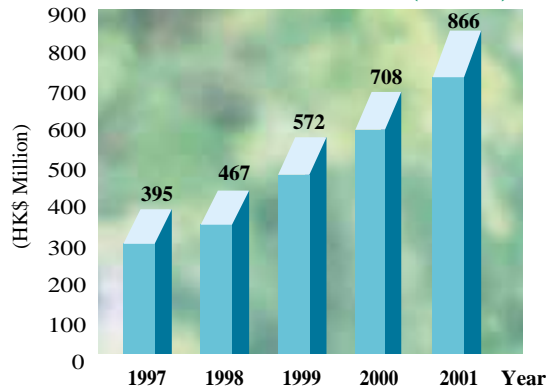
Net Profit (note 1)



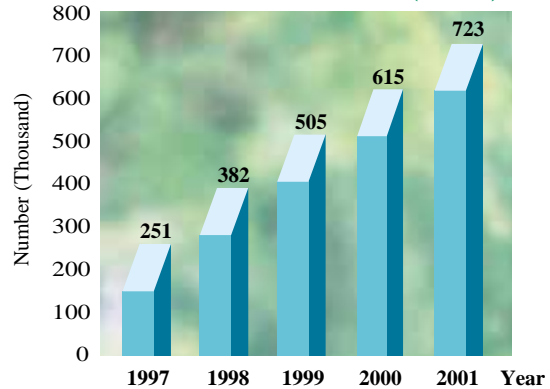
Earnings per Share (note 2)



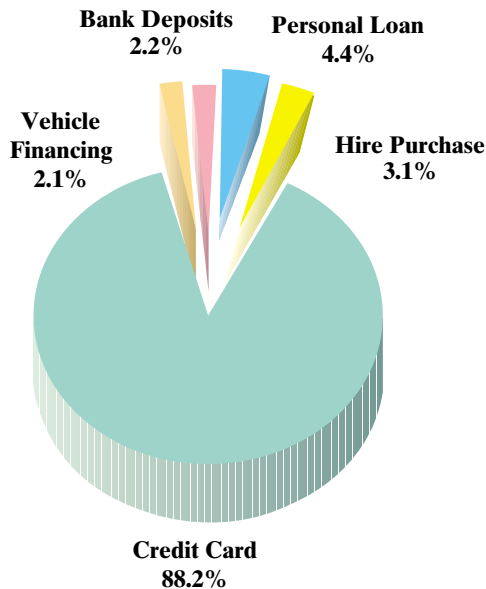
Shareholders' Funds (note 3)



Number of Cardholders (note 4)



Turnover (note 5)



Notes:

1. Represents the net profit for the financial years ended 20th February 1997, 1998, 1999, 2000 and 2001.
2. Represents the earnings per share for the financial years ended 20th February 1997, 1998, 1999, 2000 and 2001.
3. Represents the shareholders' funds as at 20th February 1997, 1998, 1999, 2000 and 2001.
4. Represents the number of cardholders as at 20th February 1997, 1998, 1999, 2000 and 2001.
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 2001.

Contents

	<i>Page</i>
<i>Corporate Information</i>	<i>2</i>
<i>Board of Directors</i>	<i>3</i>
<i>Chairman's Statement</i>	<i>4</i>
<i>Managing Director's Operational Review</i>	<i>6</i>
<i>Management Discussion and Analysis</i>	<i>12</i>
<i>Senior Management Profile</i>	<i>17</i>
<i>Notice of Annual General Meeting</i>	<i>19</i>
<i>Directors' Report</i>	<i>22</i>
<i>Auditors' Report</i>	<i>32</i>
<i>Income Statement</i>	<i>33</i>
<i>Balance Sheet</i>	<i>34</i>
<i>Cash Flow Statement</i>	<i>36</i>
<i>Notes to the Financial Statements</i>	<i>38</i>
<i>Financial Summary</i>	<i>62</i>



Corporate Information

Board of Directors

Executive Directors

Kazuhide KAMITANI (*Managing Director*)
Naruhito KURODA
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



LAI Yuk Kwong



Kazuro ASANO



Yoichi KIMURA



SHAO You Bao



TSANG Wing Hong

Chairman's Statement



Yoshiaki MORI
Chairman

Despite a keen competition in the credit card market in Hong Kong, I am delighted to report that AEON Credit Service (Asia) Company Limited (the “Company”) continued to record another year of growth in business and profitability, with net profit increased by 16.7% over last year to HK\$210.0 million. On behalf of the Company, I would like to express our sincere appreciation to the customers and shareholders for their confidence in and support to the Company.

The Company is a member of the *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. As a life-supporting enterprise dedicated to improving the future and trust of customers, *AEON* Credit Japan is determined to warmly deal with needs of individual customers, to improve through customers’ opinions in its business and to make itself a company greatly trusted in the international society. The support, loyalty and confidence of customers have enabled *AEON* Credit Japan to achieve steady expansion. The service based on the “customer-first” principle is symbolized by an excellent cash dispensing machine network. Including associated cash dispensing machines, *AEON* Credit Japan has now built up a cash advance network encompassing more than 110,000 cash dispensing machines in Japan. This is one of the biggest cash dispensing machine network in the country.

The core activities of *AEON* Credit Japan are card shopping and card cashing. At the same time, *AEON* Credit Japan has used its solid business base in these areas as a foundation for expansion into other activities that closely relate to the needs of its customers, such as the insurance agency business, payment collection, card processing and delivery services.

Moreover, *AEON* Credit Japan provides a variety of membership services through the Internet, allowing members’ card application, cashing, checking of utilization data and outstanding balance. The e-commerce business is developing, centered on settlement business, loan extension and insurance fields.

To accomplish our mission as a good corporate citizen, *AEON* Credit Japan is exerting utmost efforts in volunteering activities closely adhered to the local society and environmental conservation movements based on a worldwide viewpoint. *AEON* Credit Japan operates its own charitable activities with the support of its cardholders. On a global basis, *AEON* Group members support environmental conservation, international cultural and personal 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 at low cost operation. The Company launched *AEON-SPOT*[™] and set up its call center in Shenzhen, China in June to ensure the provision of speedy and convenient service to the customers. In November, the Company completed the Customer

Chairman's Statement

Relationship Management (“CRM”) and in December, the CRM was used to market the AEON American Express® Card to our inactive and sleeping customer database. As a result, cost to income ratio had improved despite a growth in the number of cardholders and varieties of services offered in the market.

To support the charitable activities in the community, the Company organized the Home Environmental Ambassador Project and supported the formation of Eco Living Club through AEON Jusco Education and Environment Fund Limited to arouse public awareness towards conservation of the global environment.

Currently, the credit card industry is in the period of mega-competition and due to the progress of information technologies, the business environment for the industry is undergoing great changes. We see the dynamic development of our business as the key to our continuing evolution as a trusted partner in the community. The Company intends to continually live up to the trust and expectation of our customers, and to provide good returns to its shareholders. 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. We request greater support of our shareholders and customers in the years to come.

Yoshiki MORI

Chairman

Hong Kong, 19th April 2001

Managing Director's Operational Review



Kazuhide KAMITANI
Managing Director

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of the Company for the year ended 20th February 2001. Last year was a very challenging year for the Company as we faced a very keen competition in the credit card market. In view of this, the Company had spent a great effort in establishing a solid foundation for its future business growth. During the year under review, the Company launched A ϵ ON-SPOT™ and also set up its call center in Shenzhen, China in June. In November, we completed the Customer Relationship Management (“CRM”) and in December, we used the CRM to market the AEON American Express Card to our inactive and sleeping customer database.

PERFORMANCE REVIEW

The Company has continued to record an increase in net profit for six consecutive years since its listing on The Stock Exchange of Hong Kong Limited, with net profit for the year ended 20th February 2001 increased by 16.7% from the previous year to HK\$210.0 million. Earnings per share were 50.15 HK cents, an increase of 16.7% over last year. We have recommended the payment of a final dividend of 8.0 HK cents per share and, together with the interim dividend of 4.5 HK cents, total dividend for the year was 12.5 HK cents per share.

Total revenue for the year was HK\$842.1 million, an increase of 2.1% over last year. To cater for the demand of personal finance, the Company introduced web-loan and A ϵ ON-CASH to the personal loan portfolio. Sales transactions for personal loan increased by 115.0% over last year. To minimize the impact of interest rate fluctuation, the Company increased its portion of long-term bank borrowings from 70.0% to 80.0%, with interest expenses increased by 4.9% or HK\$9.0 million. The Company's net interest income recorded a moderate increase of 2.6% to HK\$578.1 million from HK\$563.7 million in 2000.

During the year, the management continued to exercise stringent cost control despite the ongoing expansion and had successfully improved its cost to income ratio from 43.0% to 42.2%. Operating expenses decreased from HK\$276.2 million to HK\$273.1 million. Charge for bad and doubtful debts fell by 15.2% to HK\$135.0 million from HK\$159.2 million in 2000.

Total debtor balance as at 20th February 2001 was HK\$2,740.7 million, an increase of HK\$105.3 million when compared with HK\$2,635.4 million as at 20th February 2000.

As at 20th February 2001, the Company had bank borrowings amounted to HK\$1,616.6 million, of which HK\$461.6 million is repayable within one year, and HK\$540 million issued debt securities backed by credit card receivables.

The shareholders' funds of the Company were further strengthened by 22.3% to HK\$865.8 million as at 20th February 2001 mainly due to an increase in retained earnings. Debt-to-equity ratio improved from 3.2 in 2000 to 2.6 in 2001.

Managing Director's Operational Review

BUSINESS DEVELOPMENT

Credit Card Business

Credit card business continued to be the core business of the Company. The number of cardholders had increased by 108,000 to 723,000 as at 20th February 2001. This was attributed to the launching of new types of credit cards and aggressive marketing programs. During the three days' Jusco Private Sales in December 2000, we received 30,000 applications for the AEON Jusco MasterCard, which set a new record for our card recruiting exercise. With the granting of licence by American Express, the AEON American Express Card was launched in December 2000 and 22,000 members were recruited up to 20th February 2001. Besides the AEON American Express Card, we had also launched another two types of cards in the market, namely the AEON HKN Net MasterCard and the AEON Hon Po MasterCard, which had not only widened our customer base but also enabled our customers to choose the card that most suited their spending behavior.



New cards launched under MasterCard and American Express brands



Secure payment for online transactions

E-Commerce Activities

The launch of AeON-SPOT™ in June 2000 has created a channel for the Company to provide consumer finance products to Internet users and merchants. AeON-SPOT™ provides an alternate secure payment method that truly resolves security concerns of online merchants and customers. To-date the number of AeON-SPOT™ enabled online merchants has increased to about 70.

Shenzhen Call Center

The call center in Shenzhen, China was set up in June 2000, handling outbound calls for tele-marketing and collection jobs. The number of operators had increased to 50 by end of the year, with the number of monthly successful contacts for tele-marketing and collection reaching 300,000 and 75,000 respectively.



Shenzhen Call Center

Managing Director's Operational Review

Customer Relationship Management

Customer Relationship Management (“CRM”) was completed in November 2000. The core of the CRM is a customer data warehouse with powerful analytical functions. This enables the Company’s marketing personnel to perform real-time customer demographic and spending pattern analysis. Insights are provided to support target marketing. In December 2000, the Company made use of the CRM to perform customer demographic analysis on the database and market the AEON American Express Card to target customers with good response. We expect the CRM initiative to bring about improved active ratio, more effective customer loyalty, retention and recruitment programs, and product developments that better target demands.



Use CRM to support AEON American Express Card marketing

PROSPECTS

Credit card business will continue to be the core business of the Company in the coming year. In addition, the Company will also make use of the completed infrastructure and customer database to perform direct selling and cross-selling for personal loan and other financial and consumer products and services to the customers.



First card issuer to offer top three most popular credit card brands in Hong Kong

Credit Card Business Continues Unceasing Growth

On credit card business, Visa International has granted the Company a licence to issue Visa card. As the first card issuer in Hong Kong who can offer the top three most popular credit card brands at the option of both merchants and customers, the Company targets to issue at least five affinity cards in the coming year. Through the issuance of cards that match different lifestyles of customers, based on the concept of daily use cards, the Company will continue to develop new markets. We expect our cardholder base to reach 1,000,000 within three years.

Use of Customer Relationship Management Capabilities to Increase Active Ratio

The Company, in using the CRM capabilities, will perform analysis on customer information and translate the data into marketing campaigns with clear goals and objectives to achieve a higher active ratio. This includes the arrangement of special promotions or campaigns with merchants to offer attractive products, services or benefits to activate sleeping or inactive customers. Without increasing our marketing cost, we target to increase our active ratio from existing 36% to 40% and further to 50% in two years’ time.



Credit card database marketing using CRM

Managing Director's Operational Review

Network of Cash Dispensing Machines Surpassing 2,300 Units

We will further strengthen our cash dispensing machine network by increasing the number to 340. We plan to install additional 160 cash dispensing machines in the next 3 years to bring our cash dispensing machine network to 500. With the joining of the MasterCard Cirrus and Visa Plus networks, our cash dispensing machine network in Hong Kong will reach 2,300 in 2002, which will be accessible to non-AEON cardholders as well as providing a wider network for our cardholders. Besides generating a new revenue stream on both interest and fee income to the Company, we expect this new development would also bring in new customer base for the Company.



A network of 2,300 ATMs in 2002



Customer database will reach 3,000,000 within three years

Enlarge Customer Database to Facilitate Data-Base Marketing

We have in place a vast customer database stored in our customer data warehouse, which includes the 720,000 cardholder database and 500,000 cancelled and hire purchase customer database. Moreover, this database will continue to enlarge through our marketing and collection activities, the call centers and Internet. We project our database to reach 3,000,000 within three years.

New Business Areas Being Entered Through Direct Selling and Cross-selling

As for the direct selling and cross-selling business which complements the core business, we will make use of the completed infrastructure, namely our Hong Kong and Shenzhen call centers, our branch and cash dispensing machine network, AeON-SPOT™ and multi-media stations, the customer data warehouse and together with the CRM capabilities to perform direct selling and cross-selling for personal loan and other financial and consumer products and services to customers.

On 12th February 2001, the Company launched in the market its first product under AeON-Brand, that is AeON-CASH, a product based on speedy and easy concept. Customers only need to make a telephone call to our call center in Hong Kong and provide the minimum information. Within 30 minutes, customers will be informed of the outcome of their application, and if their application is approved, they can get their cash at any of our branches in the next 30 minutes. This product has been well received by the market. Our call center is receiving an average of 300 calls per day, with monthly sales volume reaching HK\$15 million.



AeON-Brand products

Managing Director's Operational Review



Number of calls received through Hong Kong call center will reach 1,500 per day

The call center in Hong Kong plays an important role in the new products launched recently, namely AeON-CASH and AeON-AUTO328, which is a loan product for car owners who only need to purchase third party insurance. Other products adopting similar concept to be launched shortly in the market include AeON-CARD (offering card products), AeON-INS (offering insurance products), AeON-SHOP (sales of specialty products), AeON-BAND (offering ISP/broadband services) and AeON-TRAVEL (offering travel-related products). Upon the launching of these new products, we expect the number of calls received through our call center will increase to an average of 1,500 per day.

The above products are now marketed individually through newspaper advertisements, TV commercials, our call centers and website. Eventually, when the public is familiar with our new service concept, all the products will be marketed all together simultaneously to save cost.

SYSTEMS DEVELOPMENT

The Company is planning ahead for further systems enhancement to meet customers' ever changing needs and expectations and to enhance efficiencies within the Company.

During the year under review, the Company had completed the operating systems for AeON-SPOT™, the call center in Shenzhen, the CRM and the AEON American Express Card. Moreover, the core system has been migrated to a new machine so as to provide a better and speedy service to the customers and to cater for the business growth. Besides, work has already started on the development of Visa Card operating system, the upgrading of CRM capabilities and existing auto-calling system, the MasterCard Cirrus and Visa Plus network systems.

HUMAN RESOURCES COMMITMENT

The total number of staff as at 20th February 2001 and 20th February 2000 was 336 and 290 respectively. The management believes that it is "people" that make the difference and create success for the Company. A series of programmes is in place to recruit personnel with suitable qualifications, to retain quality staff and to realise employees' career potential. Besides providing a competitive remuneration and other staff benefits, discretionary bonus is also awarded to the staff based on individual performance.

The Company has also put emphasis on staff training and development. A customer service department was set up last year to provide training to staff for both new product knowledge and servicing skills. The Company is well positioned to face the challenges ahead with a resilient and dedicated workforce.

Managing Director's Operational Review

CONTRIBUTION TO THE SOCIETY

Over the years, the Company has been working hard to be a responsible corporate citizen placing special attention on local community and environment needs. We emphasize on three key words, “peace”, “people” and “community” in our Company’s philosophy. Besides the growth in size and profits, the Company remains dedicated to civic responsibilities. During the year, contributions were made to the society through its seven charity cards by donating 25% of the annual fee plus a predetermined percentage of credit charges to support vital charity causes in the community.



Family Green Trip organized by Eco Living Club

The Company organized the Home Environmental Ambassador Project and supported the formation of Eco Living Club through AEON Jusco Education and Environment Fund Limited (the “Fund”) to arouse public awareness towards conservation of the global environment. Activities conducted include carnivals, waste reuse workshops, waste collection and recycling programs, family green trip, volunteer recruitment and training. Moreover, the Fund has made donations to support agro-forestry in Pangyang, China, Yunnan Village doctors training and the formation of Tsinghua-AEON Jusco Education Fund.

ACKNOWLEDGEMENT

As a company that recognizes the existing values of the society, we believe that we are promoting activities that make a positive social contribution while at the same time providing value-added benefits to our customers.

On behalf of the Board, I would like to express our appreciation and thanks to our customers, our shareholders, our business partners and staff for their support, dedication and loyalty and for their contribution to a successful year of the Company.

Kazuhide KAMITANI
Managing Director

Hong Kong, 19th April 2001

Management Discussion and Analysis

The Company continues to be 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.

In view of the changes in the lending environment and the consumer expectation, the Company had spent a great effort in establishing a solid foundation for its future business growth. During the year under review, the Company had completed its platform on e-commerce, call center and Customer Relationship Management, and expects a payoff in the coming year. Despite the diversification in the scope of its business, the Company continued to report a growth in earnings on its core business.

KEY FINANCIAL HIGHLIGHTS

The Company achieved a profit of HK\$210.0 million for the year ended 20th February 2001, representing an increase of HK\$30.0 million or 16.7% when compared with the previous year. Accordingly, the Company's earnings per share increased by 7.2 HK cents per share from 43.0 HK cents per share to 50.2 HK cents per share.

Net interest income recorded a moderate increase of 2.6% to HK\$578.1 million from HK\$563.7 million in 2000.

Operating expenses decreased from HK\$276.2 million to HK\$273.1 million, with cost to income ratio improved from 43.0% to 42.2%.

Charge for bad and doubtful debts fell by 15.2% to HK\$135.0 million from HK\$159.2 million in 2000.

As at 20th February 2001, total debtor balance increased by HK\$105.3 million from HK\$2,635.4 million to HK\$2,740.7 million.

The directors recommended the payment of a final dividend of 8.0 HK cents per share. Together with the interim dividend of 4.5 HK cents per share already paid, the total dividend for the year increased to 12.5 HK cents per share from 11.5 HK cents per share in 2000.

PERFORMANCE OF BUSINESS OPERATIONS

(a) Operating Income

Total revenue for the year was HK\$842.1 million, an increase of 2.1% over last year. To cater for the demand of personal finance, the Company introduced web-loan and AeON-CASH to the personal loan portfolio. Sales transactions for personal loan increased by 115.0% over last year. The processing of on-line hire purchase applications using our call center has speed up the processing time. Interest income increased by 3.1% to HK\$769.9

Management Discussion and Analysis

million, which resulted mainly from the growth in personal loan business. To minimize the impact of interest rate fluctuation, the Company increased its portion of long-term bank borrowings from 70.0% to 80.0%, with interest expenses increased by 4.9% or HK\$9.0 million. The Company's net interest income recorded a moderate increase of 2.6% to HK\$578.1 million from HK\$563.7 million in 2000.

The Company's other operating income fell by 12.4% to HK\$68.9 million from HK\$78.7 million in 2000, mainly due to the waiver of handling charge for cash advance in the second half of the year.

(b) Operating Expenses

During the year, the management continued to exercise stringent cost control despite the ongoing expansion and had successfully improved its cost to income ratio from 43.0% to 42.2%. Operating expenses decreased from HK\$276.2 million to HK\$273.1 million.

(c) Charge for Bad and Doubtful Debts

Charge for bad and doubtful debts fell by 15.2% or HK\$24.2 million to HK\$135.0 million from HK\$159.2 million in 2000. During the year under review, write-offs in credit card receivables slowed down as a result of the improvement in the market conditions and sentiment and the exercise of tight credit control policy. The total provision for bad and doubtful debts amounted to HK\$90.5 million and it represented 3.3% of the total debtor balance as at 20th February 2001.

BALANCE SHEET ANALYSIS

The Company's shareholders' funds as at 20th February 2001 was HK\$865.8 million, representing a growth of 22.3%, or HK\$157.7 million, when compared with the balance as at 20th February 2000. The net asset value per share as at 20th February 2001 was HK\$2.1 per share.

(a) Debtor Balance

During the year, with the launching of new personal loan products, instalment loans receivable reached HK\$167.2 million as at 20th February 2001, an increase of 92.4% or HK\$80.3 million when compared with last year. On the other hand, amidst a keen competition in the credit card market, credit card receivables continued to record an increase of HK\$25.9 million to HK\$2,253.0 million as at 20th February 2001. Total debtor balance as at 20th February 2001 was HK\$2,740.7 million, an increase of HK\$105.3 million when compared with HK\$2,635.4 million as at 20th February 2000.

Management Discussion and Analysis

Set out below is an analysis of debtor balance of hire purchase debtors, instalment loans receivable and credit card receivables which is overdue for more than 1 month:

	20th February 2001		20th February 2000	
	HK\$'000	%*	HK\$'000	%*
Over 1 month but less than 2 months	86,356	3.1	74,314	2.8
Over 2 months but less than 3 months	22,145	0.8	20,744	0.8
Over 3 months	<u>83,759</u>	<u>3.0</u>	<u>65,602</u>	<u>2.5</u>
	<u>192,260</u>	<u>6.9</u>	<u>160,660</u>	<u>6.1</u>

Should overdue debtor balance include only accounts that could not meet the minimum payment amount, the analysis would be as follows:

	20th February 2001		20th February 2000	
	HK\$'000	%*	HK\$'000	%*
Over 1 month but less than 2 months	68,302	2.5	64,226	2.4
Over 2 months but less than 3 months	19,798	0.7	15,314	0.6
Over 3 months	<u>81,779</u>	<u>3.0</u>	<u>63,538</u>	<u>2.4</u>
	<u>169,879</u>	<u>6.2</u>	<u>143,078</u>	<u>5.4</u>

* Percentage of total debtor balance

(b) Bank Borrowings and Capital Financing

The Company relied principally on its internally generated capital and bank borrowings to fund its business. The principal source of internally generated capital is from retained earnings. As at 20th February 2001, the Company had bank borrowings amounted to HK\$1,616.6 million, of which HK\$461.6 million is repayable within one year, and HK\$540 million issued debt securities backed by credit card receivables.

The shareholders' funds of the Company were further strengthened by 22.3% to HK\$865.8 million as at 20th February 2001 mainly due to an increase in retained earnings. Debt-to-equity ratio improved from 3.2 in 2000 to 2.6 in 2001.

Management Discussion and Analysis

In determining the dividend payment, consideration is given to rewarding shareholders with dividend income and retaining funds for future business development and expansion. For the year ended 20th February 2001, the Board recommended the payment of a final dividend of 8.0 HK cents per share, which together with an interim dividend of 4.5 HK cents per share, making a total dividend of 12.5 HK cents per share. The payout ratio for this fiscal year is 24.9%, which is comparable to that of last year.

COMPETITIVE ADVANTAGES

Synergy

The Company continued to benefit from the launching of various well-accepted credit cards and personal loan products in the market. Through the direct customer contact at different promotion counters and our call centers in Hong Kong and Shenzhen, the number of cardholders recruited and new personal loan customers 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 the marketing and 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 AEON American Express Card and also the AEON Jusco MasterCard. Around 80% of our customer database is in the age range of 21 to 40 years old, out of which 50% is young generation. Moreover, with the well-acceptance of AEON Hello Kitty MasterCard, the percentage of female cardholders has reached 50%.

Convenient Service

In providing our services, our emphasis is on convenience to our customers. With our extensive cash dispensing machine and branch network and the call centers in Hong Kong and Shenzhen, customers can enjoy our cash advance and personal loan services in a speedy and convenient way. As for credit purchase, with the joining forces of MasterCard, Visa and American Express merchant networks to our house and affinity cards merchant network, the combined merchant network will provide additional convenience and wide-ranging choice to our cardholders.



Management Discussion and Analysis

FOUR ELEMENTS OF SUCCESS

The four key elements of success continued to result in a 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.

Senior Management Profile

DIRECTORS

Mr. Yoshiki MORI, aged 50, 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 44, 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 38, 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. Mr. Kuroda graduated from Kansai University of Foreign Study, Japan with a Bachelor Degree in English Literature.

Mr. LAI Yuk Kwong, aged 38, 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 59, 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 56, 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 held various senior positions in a major bank in Japan. Mr. Kimura graduated from Hitotsubashi University, Japan with a Bachelor Degree in Economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SHAO You Bao, aged 80, 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 74, 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 Profile

SENIOR MANAGEMENT

Ms. Monica Y. K. KOH, aged 44, 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. Tomoyuki KAWAHARA, aged 40, is the General Manager of the Managing Director Office. He joined the Company in September 2000. Mr. Kawahara holds a Bachelor of Arts Degree in Business Administration from Hokkaido University, Japan.

Mr. Jackson S. Y. LI, aged 40, 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. Mr. Li has over 10 years experience in authorization, credit, collection and risk management field.

Mr. Ivan S. C. WONG, aged 40, is the General Manager of the Call Center Department. He joined the Company in May 1996. Mr. Wong holds a Diploma in Management Studies from the Hong Kong Polytechnic University. Prior to joining the Company, he held various positions in a major bank in Hong Kong for ten years.

Mr. Takuya MORIKAWA, aged 38, is a General Manager of the Marketing Department. He joined the Company in September 2000. Mr. Morikawa joined **AEON** Credit Service Co., Ltd. in March 1988 and was the Branch Manager of Tokyo branch in March 1997.

Mr. Ban S. P. PAN, aged 33, is a General Manager of the Marketing Department. He was formerly with the Company from April 1993 to September 1996 and rejoined the Company in April 1998. Mr. Pan holds a Bachelor Degree in Computer Science and a Management Certificate in Management Information System both from the University of Lethbridge, Canada and a Master Degree in Business Administration from South Eastern University, Washington D.C., U.S.A.

Mr. Jamie S. S. LEI, aged 42, is the General Manager of the Database Marketing 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. Prior to joining the Company, he held various positions in a major U.S. Bank.

Mr. Masayuki MIYANAGA, aged 35, is the Financial Controller of the Company. He joined the Company in July 2000. Mr. Miyanaga graduated from Keio University, Japan with a Bachelor of Arts Degree in Economics.

Ms. Dorothy F. K. CHAN, aged 32, 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 2001 Annual General Meeting of AEON Credit Service (Asia) Company Limited (the “Company”) will be held at Marriott Ballroom, JW Marriott Hotel, Pacific Place, No. 88 Queensway, Hong Kong on Thursday, 21st June 2001 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 2001.
2. To declare a Final Dividend for the year ended 20th February 2001.
3. To 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) 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;
 - (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 and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(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).”

6. **“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;
- (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 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;

Notice of Annual General Meeting

- (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.”
7. “**THAT** conditional upon the passing of Resolutions 5 and 6 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 5 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 6 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.”

By Order of the Board
KOH Yik Kung
Company Secretary

Hong Kong, 7th May 2001

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 notorially 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 Friday, 15th June 2001 to Thursday, 21st June 2001 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the final dividend 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 Thursday, 14th June 2001.
- (4) A circular containing further details regarding Resolutions 5 to 7 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 2001.

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.

QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS

Credit risk management

Credit risk is the risk associated with possibility that the counterparty in a transaction may default. It arises from the lending and derivatives undertaken by the Company.

The Company's credit policy defines the credit extension criteria, the credit approval and monitoring processes, the loan provisioning policy. The Company maintains a tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio.

Market risk management

Market risk is the risk associated with changes in interest rates and foreign exchange rates and the net effect such changes have on the Company's assets, liabilities and commitments, thus causing profits and losses.

The Company adopts a conservative view on exposure to market risk related financial instruments. The Company monitors its exposure to the market risk on a regular basis and will take appropriate actions to minimize its exposure to market risk.

During the year, the Company traded in market risk related financial instruments mainly for hedging purposes. The market risk exposure from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk information is not disclosed.

Liquidity management

The Company will ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

The Company closely monitors its liquidity position on a daily basis to ensure that the liquidity structure of the Company's assets, liabilities and commitments can meet its funding needs.

Adequate standby facilities are maintained to provide strategic liquidity to meet loan demand in the ordinary course of business.

Directors' Report

QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS (Cont'd)

Capital management

The Company's policy is to maintain a strong capital base to support the development of the Company's business. The Company relies principally on internally generated capital as well as bank borrowings and overdrafts for the working capital. The funding position is monitored and reviewed regularly to ensure reasonable costs.

DEBT-TO-EQUITY RATIO

At 20th February 2001, debt-to-equity ratio was 2.6 (2000: 3.2).

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 20th February 2001 are set out in the income statement on page 33 of the annual report.

An interim dividend of 4.5 HK cents (2000: 4.0 HK cents) per share amounting to HK\$18,844,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 8.0 HK cents (2000: 7.5 HK cents) per share to the shareholders on the register of members on 21st June 2001 amounting to HK\$33,502,000, and the retention of the remaining profit for the year of HK\$157,658,000.

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 62 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in notes 26 and 27 to the financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Company spent approximately HK\$35.1 million on computer equipment, HK\$7.5 million on furniture and fixtures and HK\$3.2 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 12 to the financial statements.

DIRECTORS

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

Executive directors:

Kazuhide KAMITANI (*Managing director*)

Naruhito KURODA

LAI Yuk Kwong

FONG Chung Leung, Gerald

(*resigned on 22nd November 2000*)

Non-executive directors:

Yoshiki MORI (*Chairman*)

Kazuro ASANO

Yoichi KIMURA

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. Accordingly, all directors shall retire and offer themselves for re-election, except for Mr. Naruhito Kuroda who will not offer himself 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 2001, 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	440,000
Kazuhide Kamitani	1,155,000
Naruhito Kuroda	74,800
Shao You Bao	330,000
Tsang Wing Hong	220,000

(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	4,032
Naruhito Kuroda	600
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

Directors' Report

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

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

Director	Number of shares held under personal interests
Shao You Bao	200,000

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 purchase facilities and hire purchase facilities to the customers of Jusco Stores (Hong Kong) Co., Limited (“Jusco HK”), a fellow subsidiary, for which the Company receives a commission from Jusco HK in respect of certain purchases made by the customers with the use of the Jusco Card, the AEON Jusco MasterCard and the AEON Card and certain purchases made by the customers which are financed by interest-free hire purchase credit facilities provided by the Company, both through the call center of the Company and 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.

For purchases made by the customers at the stores of Jusco HK using Jusco Card and AEON Jusco MasterCard, the commission rate is 0.8% except that the commission rate on Thanksgiving Days and Jusco Private Sale is 0.6%. As for the AEON Card, the commission rate is 1.3%. For purchases made by the customers at the stores of Jusco HK financed by interest-free hire purchase credit facilities provided by the Company, the commission rates are 3%, 2.5%, 5%, 7.6% and 10% respectively for the 6 month, 9 month, 12 month, 18 month and 24 month interest-free hire purchase.

For purchases made by the customers which are processed through the call center of the Company, the commission rates payable by Jusco HK are (i) 4% and 6% respectively for 6 month and 12 month interest-free hire purchase, (ii) 0.8% for credit purchase charged to the Jusco Card and AEON Jusco MasterCard, and (iii) 1.3% for credit purchase charged to the AEON Card.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

The total amount of commission received by the Company from Jusco HK for the year ended 20th February 2001 under these arrangements was HK\$15,522,000, representing 1.8% of the Company's net tangible assets at 20th February 2001.

- (ii) The Company renewed the following licence agreements with Jusco HK for the operation of branches inside the Jusco stores:

Location	Licence Period	Area <i>Sq. Ft.</i>	Monthly licence fee (exclusive of rates and management fees) <i>HK\$</i>
Shop No. 001, 6th Floor, Tsz Wan Shan Shopping Center, 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	1st March 2000 to 28th February 2002	520	42,930
Shop No. 212, Lok Fu Shopping Center II, Wang Tau Hom East Road, Kowloon	29th April 2000 to 28th April 2001	603	71,750
Shop No. L302, 3rd Floor, Kornhill Plaza (South) 2 Kornhill Road Quarry Bay, Hong Kong	16th May 2000 to 15th May 2002	846	125,810
Shop 219A, UG-A, Tuen Mun Town Plaza, Phase 1, 1 Tuen Shun Street, Tuen Mun, New Territories	1st December 2000 to 30th November 2002	418	62,700
Shop No. 101, Level One, Jusco Department Store, Tai Po Center Shopping Arcade, 9 On Pong Road, Tai Po, New Territories	20th November 2000 to 28th February 2001	200	30,000

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

Location	Licence Period	Area <i>Sq. Ft.</i>	Monthly licence fee (exclusive of rates and management fees) <i>HK\$</i>
Shop No. G5-12, G/F, Whampoa Jusco Store, Hung Hom, Kowloon	7th November 2000 to 6th February 2001	1,193	100,000
Shop No. G5-12, G/F, Whampoa Jusco Store, Hung Hom, Kowloon	7th February 2001 to 6th November 2002	1,193	100,000

The Company currently has the following existing agreements with Jusco HK for the operation of branches inside the Jusco stores:

Location	Licence Period	Area <i>Sq. Ft.</i>	Monthly licence fee (exclusive of rates and management fees) <i>HK\$</i>
Shop No. L209, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories	11th October 1999 to 10th October 2001	818	65,440
Shop No. 405, 4th Floor, Tsuen Wan Plaza, Tsuen Wan, New Territories	18th January 2000 to 17th January 2002	800	70,000

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 to Jusco HK for the year ended 20th February 2001 was HK\$6,570,000, representing 0.8% of the Company's net tangible assets at 20th February 2001.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

- (iii) Under the 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"). The total amount of licence fee payable by the Company to Jusco Japan for the year ended 20th February 2001 was HK\$45,000.
- (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 territory. There is no consideration payable by the Company to **AEON** Japan under this agreement.
- (v) On 30th January 2001, the Company entered into a service agreement with **AEON** Information Service (Shenzhen) Co., Ltd. ("**AEON** Shenzhen"), an associate, for the provision of call center services and technology development services to the Company for which the Company pays to **AEON** Shenzhen a service fees. The total amount of service fees payable by the Company to **AEON** Shenzhen for the year ended 20th February 2001 amounted to HK\$1,477,000, representing 0.2% of the Company's net tangible assets at 20th February 2001.

The transactions mentioned in (i) to (v) 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.

DISCLOSURE UNDER PRACTICE NOTE 19

A syndicated revolving credit facility up to the sum of HK\$360 million made available to the Company for a term of 2 years on 29th September 2000 includes a condition that **AEON** Credit Service Co., Ltd., the Company's immediate holding company, and Jusco Co., Ltd., the Company's ultimate holding company, have to maintain not less than 51% of the issued share capital of the Company.

A revolving credit facility up to the sum of HK\$200 million made available to the Company with the final date of maturity falling on 20th August 2003 and accepted by the Company on 29th September 2000 includes a condition that the Company will procure that there is no change in the control of the Company by **AEON** Credit Service Co., Ltd., the Company's immediate holding company.

Directors' Report

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.

SUBSTANTIAL SHAREHOLDERS

As at 20th February 2001, 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)	217,514,000	51.9
Jusco Co., Ltd. (Note 2)	277,288,000	66.2

Notes:

- (1) Out of the 217,514,000 shares, 213,114,000 shares were held by AEON Credit Service Co., Ltd. and 4,400,000 shares were 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 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 44.24% 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 217,514,000 and 3,784,000 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 2001.

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\$211,000.

Directors' Report

RETIREMENT BENEFITS SCHEME

Details of the Company's retirement benefits scheme are set out in note 35 to the financial statements.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 20th February 2001 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 2001

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
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**Deloitte
Touche
Tohmatsu**

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 33 to 61 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 2001 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 2001

Income Statement

For the year ended 20th February 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	3(b)	<u>817,140</u>	<u>795,222</u>
Interest income		769,868	746,455
Interest expense	4	<u>(191,777)</u>	<u>(182,750)</u>
Net interest income		578,091	563,705
Other operating income	5	<u>68,877</u>	<u>78,656</u>
Operating income		646,968	642,361
Operating expenses	6	<u>(273,092)</u>	<u>(276,157)</u>
Operating profit before provisions		373,876	366,204
Charge for bad and doubtful debts	8	<u>(135,019)</u>	<u>(159,184)</u>
Operating profit after provisions		238,857	207,020
Gain from disposal of investment securities		<u>3,317</u>	<u>–</u>
Profit before taxation		242,174	207,020
Income tax	9	<u>(32,170)</u>	<u>(27,000)</u>
Net profit for the year		210,004	180,020
Dividends	10	<u>(52,346)</u>	<u>(43,780)</u>
Profit retained for the year		<u>157,658</u>	<u>136,240</u>
Earnings per share	11	<u>50.15 cents</u>	<u>42.99 cents</u>

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

Balance Sheet

At 20th February 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
Non-current assets			
Property, plant and equipment	<i>12</i>	65,671	40,931
Interest in associates	<i>13</i>	2,638	495
Investment securities	<i>14</i>	11,889	9,695
Hire purchase debtors	<i>16</i>	66,568	70,661
Instalment loans receivable	<i>17</i>	20,064	4,863
Pledged time deposits	<i>33(c)</i>	120,774	120,724
		287,604	247,369
Current assets			
Other investments	<i>15</i>	3,646	–
Hire purchase debtors	<i>16</i>	251,467	248,899
Instalment loans receivable	<i>17</i>	140,355	80,938
Credit card receivables	<i>18</i>	2,171,783	2,144,926
Prepayments, deposits, interest receivable and other debtors		88,745	76,941
Pledged time deposits	<i>33(d)</i>	11,070	12,613
Time deposits		133,481	122,205
Bank balances and cash		66,763	54,922
		2,867,310	2,741,444
Current liabilities			
Creditors and accrued charges	<i>20</i>	61,653	78,891
Amount due to immediate holding company	<i>22</i>	49	52
Amount due to a fellow subsidiary	<i>23</i>	43,382	42,835
Amount due to ultimate holding company	<i>24</i>	46	35
Bank borrowings – repayable within one year	<i>25</i>	461,640	682,307
Proposed dividend		33,501	28,552
Taxation		12,392	11,652
		612,663	844,324
Net current assets		2,254,647	1,897,120
Total assets less current liabilities		2,542,251	2,144,489

Balance Sheet

At 20th February 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
Capital and reserves			
Issued capital and capital reserves	26	269,478	269,478
Accumulated profits	27	596,296	438,638
		<u>865,774</u>	<u>708,116</u>
Non-current liabilities			
Bank borrowings – repayable after one year	25	1,155,000	925,000
Issued debt securities	28	517,877	511,373
Deferred taxation	29	3,600	–
		<u>1,676,477</u>	<u>1,436,373</u>
		<u>2,542,251</u>	<u>2,144,489</u>

The financial statements on pages 33 to 61 were approved by the Board of Directors on 19th April 2001 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Cash Flow Statement

For the year ended 20th February 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	30	<u>325,098</u>	<u>198,982</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(186,570)	(178,463)
Dividends paid		(47,397)	(41,877)
Dividends received		282	-
		<u>(233,685)</u>	<u>(220,340)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
TAXATION			
Hong Kong Profits Tax paid		(27,830)	(27,832)
		<u>(27,830)</u>	<u>(27,832)</u>
CASH OUTFLOW FROM TAXATION			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(46,626)	(18,270)
Acquisition of interest in associates		(2,143)	(495)
Decrease (increase) in pledged time deposits		1,493	(115,055)
Purchase of investment securities		(2,500)	(2,814)
Proceeds from disposal of investment securities		3,623	-
Purchase of other investments		(3,646)	-
		<u>(49,799)</u>	<u>(136,634)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		<u>13,784</u>	<u>(185,824)</u>
FINANCING	31		
New bank loans		790,000	836,500
Repayment of bank loans		(640,000)	(1,045,500)
Issue of debt securities		-	540,000
Costs in connection with issue of debt securities		-	(33,054)
		<u>150,000</u>	<u>297,946</u>
NET CASH INFLOW FROM FINANCING			
INCREASE IN CASH AND CASH EQUIVALENTS		<u>163,784</u>	<u>112,122</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>(175,180)</u>	<u>(287,302)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>(11,396)</u>	<u>(175,180)</u>

Cash Flow Statement

For the year ended 20th February 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits		133,481	122,205
Bank balances and cash		66,763	54,922
Bank loans		(210,000)	(350,000)
Bank overdrafts		(1,640)	(2,307)
		<u>(11,396)</u>	<u>(175,180)</u>

Notes to the Financial Statements

For the year ended 20th February 2001

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. 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 proportion 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 2001

2. 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 ¹ / ₃ %
Furniture and fixtures	20%
Computer equipment	20% – 33 ¹ / ₃ %
Motor vehicles	33 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 2001

2. 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 2001

2. 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

Rentals payable 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 using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

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 2001

3. SEGMENTAL INFORMATION

The following segmental information is disclosed pursuant to Appendix 16 of the Listing Rules:

(a) By geographical area

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

(b) Turnover by class of business

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:

	2001 HK\$'000	2000 HK\$'000
Interest income		
Credit card	697,450	705,210
Vehicle financing	16,924	17,739
Hire purchase	1,240	661
Personal loan	36,507	10,809
Bank deposits	17,747	12,036
	<u>769,868</u>	<u>746,455</u>
Fee and commission		
Credit card	23,019	24,180
Hire purchase	24,253	24,587
	<u>47,272</u>	<u>48,767</u>
Total	<u><u>817,140</u></u>	<u><u>795,222</u></u>

Notes to the Financial Statements

For the year ended 20th February 2001

3. SEGMENTAL INFORMATION (Cont'd)

(c) Contributions by class of business

	2001 HK\$'000	2000 HK\$'000
Profit before taxation		
Credit card	228,758	198,771
Vehicle financing	2,975	276
Hire purchase	1,548	951
Personal loan	7,635	4,142
Others	1,258	2,880
	<u>242,174</u>	<u>207,020</u>

4. INTEREST EXPENSE

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	141,993	159,751
Finance costs on issue of debt securities wholly repayable within five years	49,784	–
Finance costs on issue of debt securities not wholly repayable within five years	–	22,999
	<u>191,777</u>	<u>182,750</u>

Included in the interest expense on issue of debt securities wholly repayable within five years are amortisation of costs in connection with issue of debt securities of HK\$6,504,000.

Last year the amortisation of cost, amounted to HK\$4,427,000 included in the finance costs on issue of debt securities not wholly repayable within five years.

Notes to the Financial Statements

For the year ended 20th February 2001

5. OTHER OPERATING INCOME

	2001 HK\$'000	2000 HK\$'000
Dividends received on		
Listed investment	195	–
Unlisted investment	87	–
Fee and commission		
Credit card	23,019	24,180
Hire purchase	24,253	24,587
Handling, late and storage charges	13,819	20,270
Others	7,504	9,619
	<u>68,877</u>	<u>78,656</u>

6. OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Administrative expenses	55,771	57,918
Advertising expenses	27,782	33,636
Auditors' remuneration	1,286	1,050
Depreciation	21,579	20,580
Loss on disposal of property, plant and equipment	307	55
Operating lease rentals in respect of rented premises and advertising space	53,740	52,144
Other operating expenses	33,149	35,554
Staff costs	79,478	75,220
	<u>273,092</u>	<u>276,157</u>

Operating lease rentals in respect of directors' accommodation and staff quarters of HK\$631,000 (2000: HK\$754,000) and HK\$884,000 (2000: HK\$1,269,000) are included under directors' other emoluments which are disclosed in note 7 and staff costs respectively.

Notes to the Financial Statements

For the year ended 20th February 2001

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Non-executive	375	480
Independent non-executive	285	330
	<u>660</u>	<u>810</u>
Other emoluments to executive directors:		
Salaries, housing benefits, other allowances and benefits	4,558	4,373
Discretionary bonus	950	758
	<u>6,168</u>	<u>5,941</u>

The emoluments of the directors were within the following bands:

	2001 No. of directors	2000 No. of directors
HK\$ nil to HK\$1,000,000	6	11
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	1

During the year, the five highest paid individuals included three directors (2000: four directors), details of whose emoluments are set out in above. The emolument paid to the remaining two individuals (2000: one individual) were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	2,381	1,471
Discretionary bonus	108	46
	<u>2,489</u>	<u>1,517</u>

Notes to the Financial Statements

For the year ended 20th February 2001

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

The emoluments of the remaining two individuals were within the following bands:

	2001	2000
	No. of employees	
HK\$ nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>2</u>	<u>1</u>

8. CHARGE FOR BAD AND DOUBTFUL DEBTS

	2001	2000
	HK\$'000	
Specific charge	128,856	148,400
General charge	6,163	10,784
	<u>135,019</u>	<u>159,184</u>

9. INCOME TAX

	2001	2000
	HK\$'000	
The charge comprises:		
Hong Kong Profits Tax calculated at 16% (2000: 16%) of the estimated assessable profit	28,570	27,000
Deferred taxation	3,600	–
	<u>32,170</u>	<u>27,000</u>

Details of the deferred tax charge provided and not provided for during the year are set out in note 29.

Notes to the Financial Statements

For the year ended 20th February 2001

10. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend of 4.5 HK cents (2000: 4.0 HK cents) per share	18,844	15,228
Final dividend proposed of 8.0 HK cents (2000: 7.5 HK cents) per share	<u>33,502</u>	<u>28,552</u>
	<u><u>52,346</u></u>	<u><u>43,780</u></u>

The amount of final dividend proposed has been calculated on the basis of 418,766,000 shares in issue at 19th April 2001.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$210,004,000 (2000: HK\$180,020,000) and on the number of 418,766,000 (2000: 418,766,000) shares in issue during the year.

The number of shares for the purpose of earnings per share has been adjusted for the effect of bonus issue during the year. The comparative earnings per share for the corresponding year has been adjusted retrospectively.

Notes to the Financial Statements

For the year ended 20th February 2001

12. 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 2000	19,379	5,477	88,229	698	113,783
Additions	3,240	7,459	35,079	848	46,626
Disposals	(1,663)	–	–	(490)	(2,153)
At 20th February 2001	20,956	12,936	123,308	1,056	158,256
DEPRECIATION					
At 21st February 2000	14,097	2,715	55,357	683	72,852
Provided for the year	4,307	1,196	15,778	298	21,579
Eliminated on disposals	(1,356)	–	–	(490)	(1,846)
At 20th February 2001	17,048	3,911	71,135	491	92,585
NET BOOK VALUES					
At 20th February 2001	3,908	9,025	52,173	565	65,671
At 20th February 2000	5,282	2,762	32,872	15	40,931

13. INTEREST IN ASSOCIATES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost	1,988	495
Amount due from an associate	650	–
	2,638	495

Notes to the Financial Statements

For the year ended 20th February 2001

13. INTEREST IN ASSOCIATES (Cont'd)

Details of the Company's associates at 20th February 2001 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Principal activity
AEON Information Service (Shenzhen) Co., Ltd.	People's Republic of China	50%	Provision of call center services
AEON Credit Service (Taiwan) Co., Ltd.	Republic of China	20%	Consumer credit finance services

The following amounts would have been dealt with in the financial statements of the Company if consolidated financial statements had been presented:

	2001 HK\$'000	2000 HK\$'000
Share of loss of associates	<u>(1,335)</u>	<u>(59)</u>
Share of net assets	<u>594</u>	<u>436</u>
Share of the associate's post acquisition results:		
	2001 HK\$'000	2000 HK\$'000
Accumulated loss brought forward	(59)	-
Share of loss for the year	<u>(1,335)</u>	<u>(59)</u>
Accumulated loss carried forward	<u>(1,394)</u>	<u>(59)</u>

14. INVESTMENT SECURITIES

	2001 HK\$'000	2000 HK\$'000
At cost:		
Issued by corporate entities		
Listed shares		
Hong Kong	3,541	3,541
Overseas	2,753	3,059
Unlisted shares	<u>5,595</u>	<u>3,095</u>
	<u>11,889</u>	<u>9,695</u>
Market value of listed shares	<u>20,751</u>	<u>115,458</u>

Notes to the Financial Statements

For the year ended 20th February 2001

15. OTHER INVESTMENTS

Other investments represent shares listed overseas and the market value is HK\$2,146,000.

16. HIRE PURCHASE DEBTORS

	2001 HK\$'000	2000 HK\$'000
Due:		
Within one year	253,437	250,331
Thereafter	67,089	71,068
	<u>320,526</u>	<u>321,399</u>
Provision for bad and doubtful debts	(2,491)	(1,839)
	<u>318,035</u>	<u>319,560</u>
Current portion included under current assets	(251,467)	(248,899)
	<u>66,568</u>	<u>70,661</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\$561,292,000 and HK\$555,978,000 (2000: HK\$498,808,000 and HK\$472,430,000) respectively.

17. INSTALMENT LOANS RECEIVABLE

	2001 HK\$'000	2000 HK\$'000
Due:		
Within one year	146,259	81,947
Thereafter	20,908	4,924
	<u>167,167</u>	<u>86,871</u>
Provision for bad and doubtful debts	(6,748)	(1,070)
	<u>160,419</u>	<u>85,801</u>
Current portion included under current assets	(140,355)	(80,938)
	<u>20,064</u>	<u>4,863</u>

Notes to the Financial Statements

For the year ended 20th February 2001

18. CREDIT CARD RECEIVABLES

	2001 HK\$'000	2000 HK\$'000
Credit card receivables	2,253,027	2,227,155
Provision for bad and doubtful debts	(81,244)	(82,229)
	<u>2,171,783</u>	<u>2,144,926</u>

19. OVERDUE DEBTOR BALANCE

Set out below is an analysis of debtor balance of hire purchase debtors, instalment loans receivable and credit card receivables which is overdue more than 1 month:

	20th February 2001		20th February 2000	
	HK\$'000	%*	HK\$'000	%*
Over 1 month but less than 2 months	86,356	3.1	74,314	2.8
Over 2 months but less than 3 months	22,145	0.8	20,744	0.8
Over 3 months	83,759	3.0	65,602	2.5
	<u>192,260</u>	<u>6.9</u>	<u>160,660</u>	<u>6.1</u>

Should overdue debtor balance include only accounts that could not meet the minimum payment amount, the analysis would be as follows:

	20th February 2001		20th February 2000	
	HK\$'000	%*	HK\$'000	%*
Over 1 month but less than 2 months	68,302	2.5	64,226	2.4
Over 2 months but less than 3 months	19,798	0.7	15,314	0.6
Over 3 months	81,779	3.0	63,538	2.4
	<u>169,879</u>	<u>6.2</u>	<u>143,078</u>	<u>5.4</u>

* Percentage of total debtor balance

Notes to the Financial Statements

For the year ended 20th February 2001

20. CREDITORS AND ACCRUED CHARGES

The aging analysis of creditors and accrued charges as at 20th February 2001 was as follows:

	2001 HK\$'000	2000 HK\$'000
Current	56,660	73,553
Over 1 month but less than 3 months	4,480	5,231
Over 3 months	513	107
	<u>61,653</u>	<u>78,891</u>

21. MATURITY PROFILE

	20th February 2001			Total HK\$'000
	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	3 years or less but over 1 year HK\$'000	
ASSETS				
Credit card receivable	2,253,027	-	-	2,253,027
Hire purchase debtors	109,099	144,338	67,089	320,526
Instalment loans receivable	51,856	94,403	20,908	167,167
Pledged time deposits	106,564	25,280	-	131,844
Time deposits	133,481	-	-	133,481
	<u>2,654,027</u>	<u>264,021</u>	<u>87,997</u>	<u>3,006,045</u>

Notes to the Financial Statements

For the year ended 20th February 2001

21. MATURITY PROFILE (Cont'd)

	20th February 2000			Total HK\$'000
	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	3 years or less but over 1 year HK\$'000	
ASSETS				
Credit card receivable	2,227,155	–	–	2,227,155
Hire purchase debtors	105,578	144,753	71,068	321,399
Instalment loans receivable	25,352	56,595	4,924	86,871
Pledged time deposits	106,552	26,785	–	133,337
Time deposits	122,205	–	–	122,205
	2,586,842	228,133	75,992	2,890,967

22. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

23. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

Notes to the Financial Statements

For the year ended 20th February 2001

25. BANK BORROWINGS

	2001 HK\$'000	2000 HK\$'000
Bank overdraft, unsecured	1,640	2,307
Bank loans, unsecured	1,485,000	1,445,000
Bank loans, secured	130,000	160,000
	<u>1,616,640</u>	<u>1,607,307</u>
The maturity of bank borrowings is as follows:		
Within one year	461,640	682,307
Between one and two years	440,000	520,000
Between two to five years	715,000	405,000
	<u>1,616,640</u>	<u>1,607,307</u>
Amount repayable within one year included under current liabilities	<u>(461,640)</u>	<u>(682,307)</u>
Amount repayable after one year	<u>1,155,000</u>	<u>925,000</u>

26. ISSUED CAPITAL AND CAPITAL RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 21st February 1999 and 21st February 2000	38,070	231,138	270	269,478
Issue by capitalisation of the share premium account	<u>3,807</u>	<u>(3,807)</u>	<u>–</u>	<u>–</u>
At 20th February 2001	<u>41,877</u>	<u>227,331</u>	<u>270</u>	<u>269,478</u>

The authorised share capital of the Company is 1,000 million (2000: 500 million) ordinary shares of HK\$0.1 each.

Notes to the Financial Statements

For the year ended 20th February 2001

26. ISSUED CAPITAL AND CAPITAL RESERVES (Cont'd)

Pursuant to the resolutions passed at the annual general meeting of the Company held on 14th June 2000:

- (a) The authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 ordinary shares of HK\$0.1 each ranking pari passu with the existing shares in all respects.
- (b) 38,070,000 shares of HK\$0.1 each were issued as bonus shares and were credited as fully paid at par to the holders of shares on the register of members at the close of business on 14th June 2000 by way of capitalisation of the sum of HK\$3,807,000 standing to the credit of the share premium account of the Company.

27. ACCUMULATED PROFITS

	2001 HK\$'000	2000 HK\$'000
At 21st February	438,638	302,398
Net profit for the year	210,004	180,020
Dividends (<i>note 10</i>)	(52,346)	(43,780)
	<u>596,296</u>	<u>438,638</u>
At 20th February	<u>596,296</u>	<u>438,638</u>

The Company's reserves available for distribution to shareholders as at 20th February 2001 amounted to HK\$596,296,000 (2000: HK\$438,638,000).

28. ISSUED DEBT SECURITIES

	2001 HK\$'000	2000 HK\$'000
Consideration received on the issue	540,000	540,000
Costs in connection with issue of debt securities (unamortised portion)	(22,123)	(28,627)
	<u>517,877</u>	<u>511,373</u>

Last 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.

Notes to the Financial Statements

For the year ended 20th February 2001

29. DEFERRED TAXATION

	2001 HK\$'000	2000 HK\$'000
At 21st February	–	–
Charge for the year	<u>3,600</u>	–
At 20th February	<u><u>3,600</u></u>	<u><u>–</u></u>

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

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	–	–	9,212	5,392
General provision for bad and doubtful debts	–	–	(1,076)	(3,125)
Unamortised cost in connection with issue of debt securities	<u>3,600</u>	–	–	–
	<u><u>3,600</u></u>	<u><u>–</u></u>	<u><u>8,136</u></u>	<u><u>2,267</u></u>

The deferred tax liability of the Company amounting to HK\$8,136,000 (2000: HK\$2,267,000) has not been provided in the financial statements as, in the opinion of the directors, the timing differences are not expected to crystallise in the foreseeable future, after taking into account of the Company's medium term financial plans and projections.

Notes to the Financial Statements

For the year ended 20th February 2001

29. DEFERRED TAXATION (Cont'd)

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

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	3,820	1,711
Reduction in general provision for bad and doubtful debts	2,049	2,640
	<u>5,869</u>	<u>4,351</u>

30. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	242,174	207,020
Interest expense	191,777	182,750
Dividends received on investment securities	(282)	–
Depreciation	21,579	20,580
Loss on disposal of property, plant and equipment	307	55
Gain from disposal of investment securities	(3,317)	–
Increase in provision for bad and doubtful debts	5,345	2,039
Decrease (increase) in hire purchase debtors	873	(52,328)
Increase in instalment loans receivable	(80,296)	(79,020)
Increase in credit card receivables	(25,872)	(24,520)
Increase in prepayments, deposits, interest receivable and other debtors	(11,804)	(18,528)
Decrease in creditors and accrued charges	(15,941)	(9,583)
Decrease in amount due to immediate holding company	(3)	(34)
Increase (decrease) in amount due to a fellow subsidiary	547	(29,484)
Increase in amount due to ultimate holding company	11	35
	<u>325,098</u>	<u>198,982</u>
Net cash inflow from operating activities	<u>325,098</u>	<u>198,982</u>

Notes to the Financial Statements

For the year ended 20th February 2001

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Issued debt securities HK\$'000	Bank loans HK\$'000
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	–
	<u>511,373</u>	<u>1,255,000</u>
At 20th February 2000	511,373	1,255,000
New loans raised	–	790,000
Repayment of loans	–	(640,000)
Other movement not involving cash:		
Amortisation of costs in connection with issue of debt securities included in interest expense	6,504	–
	<u>517,877</u>	<u>1,405,000</u>
At 20th February 2001	517,877	1,405,000

32. 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:

	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
Within one year	9,587	10,895
In the second to fifth year inclusive	21,313	20,395
	<u>30,900</u>	<u>31,290</u>

Notes to the Financial Statements

For the year ended 20th February 2001

33. PLEDGE OF ASSETS

- (a) At 20th February 2001, the Company's issued debt securities were secured by credit card receivables of HK\$684,864,000 (2000: HK\$671,195,000).
- (b) At 20th February 2001, the Company's bank loans of HK\$130,000,000 (2000: HK\$160,000,000) were secured by hire purchase debtors of HK\$229,967,000 (2000: HK\$205,362,000).
- (c) The pledged time deposits include special deposits amounting to HK\$100,494,000 (2000: HK\$100,494,000) maintained pursuant to the terms of the securitisation agreements for the issued debt securities. The remaining balance of HK\$20,280,000 (2000: HK\$20,230,000) 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\$11,070,000 (2000: HK\$12,613,000) to banks to secure the short term general banking facilities and the sharing of ATM network.

34. FINANCIAL INSTRUMENTS

(a) Derivatives

Derivatives refer to financial contracts whose values depend on the values of one or more underlying assets or indices.

The following is a summary of the contractual or notional amounts of each significant class of derivatives for the Company entered into for hedging purposes with financial institutions:

	2001 HK\$'000	2000 HK\$'000
Interest rate contracts:		
Swaps	270,000	50,000
Caps	620,000	700,000
Exchange rate contracts:		
Swaps	95,000	100,000
	985,000	850,000

Notes to the Financial Statements

For the year ended 20th February 2001

34. FINANCIAL INSTRUMENTS (Cont'd)

The contractual or notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts of risk.

- (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.

The aggregate credit risk weighted amounts and aggregate replacement costs are considered insignificant.

35. RETIREMENT BENEFITS SCHEME

Starting from December 2000, the Company joined the Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the MPF Authority.

36. CAPITAL COMMITMENTS

	2001	2000
	HK\$'000	HK\$'000
Contracted for, but not provided in the financial statements:		
Purchase of property, plant and equipment	<u>3,761</u>	<u>–</u>

Notes to the Financial Statements

For the year ended 20th February 2001

37. RELATED PARTY TRANSACTIONS

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

		Fellow subsidiary		Ultimate holding company		Associate		AEON Jusco Education and Environment Fund Limited	
		2001	2000	2001	2000	2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission received	a)	<u>15,522</u>	<u>15,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licence fees paid	b)	<u>6,570</u>	<u>6,894</u>	<u>45</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Service fees paid	c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Donation	d)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,091</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) Service fees paid to an associate are based on the terms agreed by both parties.
- d) 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.

Financial Summary

RESULTS

	For the year ended 20th February				
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000
Turnover	<u>347,101</u>	<u>524,634</u>	<u>717,900</u>	<u>795,222</u>	<u>817,140</u>
Profit before taxation	92,697	134,469	173,787	207,020	242,174
Income tax	<u>(15,806)</u>	<u>(22,350)</u>	<u>(27,397)</u>	<u>(27,000)</u>	<u>(32,170)</u>
Net profit for the year	<u>76,891</u>	<u>112,119</u>	<u>146,390</u>	<u>180,020</u>	<u>210,004</u>

ASSETS AND LIABILITIES

	At 20th February				
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000
Total assets	1,518,245	2,087,602	2,654,482	2,988,813	3,154,914
Total liabilities	<u>(1,123,634)</u>	<u>(1,620,586)</u>	<u>(2,082,606)</u>	<u>(2,280,697)</u>	<u>(2,289,140)</u>
Shareholders' funds	<u>394,611</u>	<u>467,016</u>	<u>571,876</u>	<u>708,116</u>	<u>865,774</u>