

Notes:

1. Represents the net profit for the financial years ended 20th February 1998, 1999, 2000, 2001 and 2002.
2. Represents the earnings per share for the financial years ended 20th February 1998, 1999, 2000, 2001 and 2002.
3. Represents the shareholders' funds as at 20th February 1998, 1999, 2000, 2001 and 2002.
4. Represents the total assets as at 20th February 1998, 1999, 2000, 2001 and 2002.
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 2002.

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Corporate Information

Board of Directors

Executive Directors

Kazuhide KAMITANI (*Managing Director*)

Masanori KOSAKA

LAI Yuk Kwong

KOH Yik Kung

Takuya MORIKAWA

Non-Executive Directors

Yoshiki MORI (*Chairman*)

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

Mizuho Corporate Bank, Ltd.

Hong Kong Branch

The Bank of Tokyo-Mitsubishi, Ltd.

Hong Kong Branch

UFJ 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

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Board of Directors



Yoshiaki MORI



Kazuhide KAMITANI



LAI Yuk Kwong



KOH Yik Kung



Masanori KOSAKA



Takuya MORIKAWA



Yoichi KIMURA



SHAO You Bao



TSANG Wing Hong

Chairman's Statement



Yoshiaki MORI
Chairman

Last year was a tough year for AEON Credit Service (Asia) Company Limited. The slow down in the economy together with the rising unemployment rate and escalating number of personal bankruptcies had resulted in a drastic increase in the level of bad debt. Despite the difficult operating environment, I am glad to report that the Company recorded an increase in net profit to HK\$211.0 million. On behalf of the Company, I would like to express our sincere appreciation to our 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 main section of the Tokyo Stock Exchange. *AEON* Credit Japan is dedicated in providing added-value financial services according to the lifestyle needs of individual customers. The goal is to enhance the lifestyles of customers by realizing the full potential of their futures and creditability. The support, loyalty and confidence of customers have enabled *AEON* Credit Japan to achieve steady expansion, with 1 million new cards being issued in this financial year. 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 now built up a cash advance network encompassing more than 123,000 cash dispensing machines ("CDs") in Japan. This is one of the biggest cash dispensing machine network in the country.

The core activities of *AEON* Credit Japan are credit card and personal loan business. At the same time, through its subsidiaries, *AEON* Credit Japan is involved in a variety of financial service activities, including loan management and recovery. Other activities include call center operation, which involves tele-marketing and handling customer requests and enquiries. Through its insurance agency business, *AEON* Credit Japan handles a variety of insurance products, including vehicle insurance, travel insurance and sports insurance. *AEON* Credit Japan also provides travel agency business, posting services and card processing services through its branch and overseas network, including the *AEON* World Desk.

On social contribution and environmental protection activities, *AEON* Credit Japan fulfils its corporate citizenship mission at all levels, from participating in charitable activities in local communities to environmental conservation movements based on a worldwide viewpoint. *AEON* Credit Japan carries out unique charity initiatives with the support of its cardholders. On a global basis, *AEON* Group members support environmental conservation, international cultural and personal exchanges, and the development of regional culture and communities through the *AEON* 1% Club.

For the year under review, the Company has followed the Group policy in providing high quality and convenient service to the customers at low cost operation. The Company launched *AEON*-CASH and *AEON*-CARD, 30-minutes approval personal loan and card products, and used its call

Chairman's Statement

center in Hong Kong to provide 24 hours service to deliver speedy and convenient service to the customers. In September and December, the Company made use of the Customer Relationship Management (CRM) to market the newly launched AEON Visa Card and Hologram AEON Hello Kitty MasterCard to its inactive and sleeping customer data-base. As a result, cost-to-income ratio continued to improve despite the offering of various services and products in the market.

The Company actively participated in environmental protection activities through the Home Environmental Ambassador Project and the Eco Living Club organized by AEON Jusco Education and Environment Fund Limited. Moreover, the Company also supported the development in education and environmental protection in the People's Republic of China through the set up of education funds and the participation in agro-forestry projects.

Currently, the credit card industry in Hong Kong is in the period of high default risk and mega-competition with the increase in personal bankruptcies and the entry of new players. Moreover, the business environment is also undergoing great changes through the rapid development in information technologies, especially the Internet. We see our expertise and the dynamic development in the consumer finance business as the key to our continuing evolution as a trusted partner in the community. Our aim is to enhance the corporate value for our customers and the local community. The Company will continue to develop new lines of business while maintaining our commitment to "customer first" philosophy. 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. I sincerely look forward to the support and participation from all shareholders, business partners and customers in helping us to uphold our duty as a good corporate citizen in the years to come.

森 美 樹

Yoshiki MORI
Chairman

Hong Kong, 25th April 2002

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 2002. During the year under review, Hong Kong experienced a continued slow down in the economic situation, rising unemployment rate and escalating number of personal bankruptcies. In view thereof, the Company has implemented new procedures to take prompt collection actions and exercised tight control on cost, especially the funding cost and advertising expenses. At the same time, to strengthen the preventive measures on default risk, the Company has continued to enhance its infrastructure on application channel and fraud detection.

PERFORMANCE REVIEW

Despite the difficult operating environment, the Company recorded a slight increase in net profit for the year ended 20th February 2002 to HK\$211.0 million. At the operating level, the Company recorded a growth in operating profit before provisions by 11.1% to HK\$415.3 million. Earnings per share were 50.39 HK cents when compared with 50.15 HK cents 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 5.0 HK cents, the total dividend for the year was 13.0 HK cents. The dividend payout ratio for this year was 25.8%, which was 24.9% last year.

Operating income before interest expenses for the year was HK\$882.6 million, an increase of 5.2% over last year. Interest income increased by 4.4% to HK\$804.1 million, mainly resulted from the growth in personal loan business. With the general decline in market interest rates, interest expense fell by 10.9% to HK\$170.8 million in 2001/02 from HK\$191.8 million in 2000/01. As a result, the Company's net interest income recorded an increase of 9.6% to HK\$633.3 million from HK\$578.1 million in 2000/01.

Other operating income increased by 13.9% to HK\$78.5 million from HK\$68.9 million in 2000/01. During the year, the Company continued to exercise stringent cost control and had successfully improved the cost-to-income ratio from 42.2% to 41.6%. Charge for bad and doubtful debts for the year increased by 74.4% to HK\$235.4 million from HK\$135.0 million in 2000/01.

Total debtor balance as at 20th February 2002 was HK\$2,924.2 million, an increase of HK\$183.5 million as compared with HK\$2,740.7 million as at 20th February 2001. As at 20th February 2002, the Company had bank borrowings amounted to HK\$1,609.7 million and HK\$540.0 million issued debt securities backed by credit card receivables.

Shareholders' funds were strengthened by 17.4% to HK\$1,055.8 million as at 20th February 2002 mainly due to the increase in retained earnings. Total debt-to-equity ratio improved from 2.5 in 2000/01 to 2.1 in 2001/02.

Managing Director's Operational Review

BUSINESS DEVELOPMENT

Credit Card Business

Credit card business continued to be the core business of the Company. On the card recruitment side, the Company had changed its recruitment strategy in the second half of the year. Instead of launching massive promotion programs for recruiting house card members, we had concentrated on recruiting new affinity card members inside Jusco stores. In addition to the AEON Jusco MasterCard, the AEON Jusco American Express Card was launched in June 2001. The total number of affinity cards issued with Jusco reached 410,000 as at 20th February 2002. Upon becoming a Visa International member in September 2001, the Company was the first non-banking institution to issue cards under three famous brand names in Hong Kong. We introduced the recently launched AEON Visa Card and the Hologram AEON Hello Kitty MasterCard to our inactive customers to stimulate their usage and resulted in an increase in overall active ratio. We recorded a net increase of 77,000 cards this year, with the number of cards issued reaching 800,000 as at 20th February 2002.



New cards launched under American Express, Visa and MasterCard brands

Cash Dispensing Machine Network



Cardholders can enjoy cash advance facilities through a network of 2,300 ATMs

After joining the MasterCard Cirrus and Visa Plus network, our cardholders have been enjoying more convenient cash advance service through a network of 2,300 ATMs. This combined ATM network also enables non-AEON card members to have access to our cash dispensing machine network which as a result had converted some non-members to become our members.

Managing Director's Operational Review

Shenzhen Call Center

The Shenzhen call center has been providing support to our collection and tele-marketing operation. The know-how and experience gained from the Shenzhen call center will be useful for our entry into the consumer finance business in China. To enhance the existing operation, we had increased the number of staff to 80 for collection and 40 for tele-marketing.



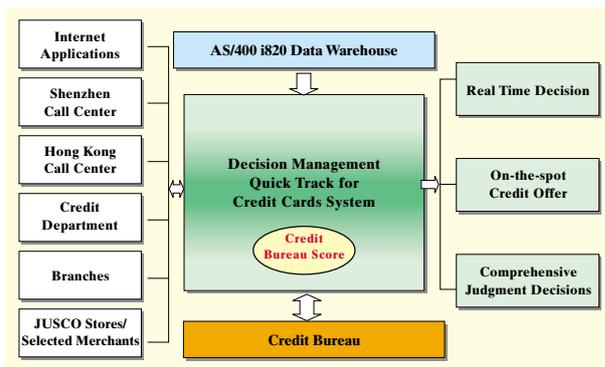
Shenzhen Call Center – Tele-marketing Section

PROSPECTS

Looking ahead, Hong Kong's economy is forecast to turn positive in the latter half of the year as the US pulls out of recession. The road of recovery, however, will be tough, as the Hong Kong economy is faced with dual challenge of structural adjustments and cyclical factors.

On the consumer finance side, we expect to continue to experience a high level of default risk in the first half, which will then turn into a competitive operating environment with the recovery of the economy.

The Company will continue to maintain credit card business as its core business 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 some other financial and consumer products and services to the customers.



Implement auto-judgement system to offer instant approval on applications received on-site

Emphasis on Portfolio Quality in Growing our Receivables

The increase in personal bankruptcies will continue to be a major concern in this financial year. To tackle this default risk, the Company is in the process of enhancing the judgement criteria, the assessment of credit limit and the collection actions. We will bring in and apply new technique and know-how from Japan. In addition, the Company will make use of the new auto-judgement system, which adopts the latest I.T. technology, to process applications for credit card, hire purchase and personal

loan. By linking up this system with the system of our member-stores, the Company can offer instant approval for applications received on-site. By automating our approval procedure, we not only improve our judgement standard but can also respond instantly to any changes in the market conditions.

Managing Director's Operational Review

Fraud Detection and Proactive Collection Action

For an early detection of credit card fraud, the Company will implement an alarm system for credit card fraud detection. Similar system is commonly used in Japan to perform analysis on bad debt with result feedback to the credit judgement side for immediate corrective actions. On the collection action, the Company will take a proactive approach in contacting late payment customers. We will increase the number of staff in the Shenzhen call center from the existing 120 to 180 to increase the frequency of calls to our customers. Moreover, we will send our outdoor visit team to perform site visit at an early stage and immediately pass the lost contact customer cases to outside collection agents.



Increase number of staff in the Shenzhen Call Center to 180



Perform target marketing with member-stores

Implement Merchant Support System to increase Active Ratio

The Company will implement the AEON Customer Total Information Open Network (“ACTION”) system, which is a merchant support system that performs analysis on customer personal information and spending pattern. We will use the analyzed data to develop tailor-made services for our customers. We aim to shift our customers’ other card spending to our card which in turn is expected to increase the active ratio.

China Business

With China being admitted to the World Trade Organization, we will keep a close eye on the developments in the mainland. We are currently conducting feasibility study on the local market business environment and regulations to explore the different scenarios to start the consumer finance business in China.



Well-prepared to enter the China Market

Future

The Company is actively exploring business opportunities for business growth to generate both interest income and non-interest income.

With the completion of the data warehouse and customer relationship management, the Company will remain in a competitive position even after the implementation of positive information sharing amongst financial institutions in Hong Kong.

SYSTEMS DEVELOPMENT

The Company continues to enhance its systems to meet customers’ changing needs and expectations and to improve risk detection and efficiencies within the Company.

Managing Director's Operational Review

To cope with the increase in the business volume and the demand for a better system performance, the core production machine was upgraded to a more advanced model. During the year under review, the Company had completed the operating systems for the AEON Jusco American Express Card, the MasterCard Cirrus ATM acquirer and issuer service, Knowledge Management and Customer Relationship Management projects, and the launching of the AEON Visa Card. Besides, work has already started on the development of auto-judgement system, the ACTION system, the upgrading of auto-calling system and Visa Plus ATM acquirer and issuer service.

HUMAN RESOURCES COMMITMENT

The total number of staff as at 20th February 2002 and 20th February 2001 was 340 and 336 respectively. A series of programmes is in place to retain quality staff and to realize 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 continued to put emphasis on staff training and development, with training being provided on both new product knowledge and servicing skills. The Company is well positioned to face the challenges ahead with a resilient and dedicated workforce.



Environmental Study Trip to Australia

CONTRIBUTION TO THE SOCIETY

Besides the growth in size and profits, the Company remains dedicated to civic responsibilities. We emphasize on three key words, "peace", "people" and "community", in our Company's philosophy. 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.

The Company organized the Home Environmental Ambassador Project and the Eco Living Club through the AEON Jusco Education and Environment Fund Limited (the "Fund") to arouse public awareness towards conservation of the global environment. A study trip was organized at the beginning of this year for outstanding ambassadors to study the environmental programs in Australia with reference to Manly and Sydney. Moreover, the Fund had made donations to support tree planting in Inner Mongolia, China, the formation of Tsinghua-AEON Jusco Education Fund, the set up of Yuan Qing Primary School in GuiZhou, the support of Green Pioneer Training Program in Hong Kong and the publication of "Green-Roots" and "Green Sprouts".



*Tsinghua-AEON Jusco Education Fund
- Scholarship Presentation Ceremony*

Managing Director's Operational Review

ACKNOWLEDGEMENT

With the goal of achieving total customer satisfaction in mind, we believe 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 take this opportunity to express our sincere gratitude to our customers, our shareholders and our business partners for their continuous support, dedication and loyalty and for their contribution to a successful year of the Company. Our thanks also go to our dedicated staff who are our precious assets and invaluable to our goal to achieve the highest customer satisfaction.

A handwritten signature in black ink, appearing to read 'Kamitani'.

Kazuhide KAMITANI

Managing Director

Hong Kong, 25th April 2002



Management Discussion and Analysis

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

Hong Kong economic situation continued to slow down in the past year, with rising unemployment rate and escalating number of personal bankruptcies. On the other hand, a more keen competition is noted in the consumer finance business with the entering of more new entrants. Despite the difficult operating environment, the Company still recorded a slight increase in net profit.

KEY FINANCIAL HIGHLIGHTS

The Company achieved a profit of HK\$211.0 million for the year ended 20th February 2002, representing an increase of 0.5% when compared with the previous year. Accordingly, the Company's earnings per share increased from 50.15 HK cents per share to 50.39 HK cents per share.

Net interest income recorded an increase of 9.6% to HK\$633.3 million from HK\$578.1 million in 2000/01.

Operating expenses amounted to HK\$296.4 million in 2001/02, with cost-to-income ratio improved from 42.2% to 41.6%.

Charge for bad and doubtful debts increased by 74.4% to HK\$235.4 million from HK\$135.0 million in 2000/01.

As at 20th February 2002, total debtor balance increased by HK\$183.5 million from HK\$2,740.7 million to HK\$2,924.2 million.

The directors recommended the payment of a final dividend of 8.0 HK cents per share. Together with the interim dividend of 5.0 HK cents per share already paid, the total dividend for the year increased to 13.0 HK cents per share from 12.5 HK cents per share in 2000/01.

PERFORMANCE OF BUSINESS OPERATIONS

(a) Operating Income

Operating income before interest expenses for the year was HK\$882.6 million, an increase of 5.2% over last year. To cater for the demand for personal finance, the Company added web-loan and AeON-CASH to the personal loan portfolio, with sales volume for personal loan increased by 75.0% over last year. Interest income increased by 4.4% to HK\$804.1 million, mainly resulted from the growth in personal loan business. With the general decline in market interest rates, interest expense fell by 10.9% to HK\$170.8 million in 2001/02 from HK\$191.8 million in 2000/01. As a result, the Company's net interest income recorded an increase of 9.6% to HK\$633.3 million from HK\$578.1 million in 2000/01.

Management Discussion and Analysis

Other operating income increased by 13.9% to HK\$78.5 million from HK\$68.9 million in 2000/01, mainly resulted from the increase in fee income for handling, late and storage charges.

(b) Operating Expenses

During the year, the Company continued to exercise stringent cost control and had successfully improved the cost-to-income ratio from 42.2% to 41.6%. Operating expenses amounted to HK\$296.4 million in 2001/02 as compared with HK\$273.1 million in 2000/01.

(c) Charge for Bad and Doubtful Debts

Considering the murky economic prospects and the continuous increase in personal bankruptcies, the Company increased the amount of provision for bad and doubtful debts. Charge for bad and doubtful debts for the year increased by 74.4% from HK\$135.0 million in 2000/01 to HK\$235.4 million, with HK\$222.6 million being specific provision made and HK\$12.8 million being increase in general provision. The ratio of specific provision made to total debtor balance increased from 4.7% in 2000/01 to 7.6% in 2001/02.

BALANCE SHEET ANALYSIS

The Company's shareholders' funds as at 20th February 2002 was HK\$1,055.8 million, representing a growth of 17.4 %, or HK\$156.5 million, when compared with the balance as at 20th February 2001. Net asset value (after final dividend) per share as at 20th February 2002 was HK\$2.44 per share, compared with HK\$2.07 per share as at 20th February 2001.

(a) Debtor Balance

During the year, amidst a keen competition in the credit card market, credit card receivables continued to record an increase of HK\$84.6 million to HK\$2,337.6 million as at 20th February 2002. With the launching of new personal loan products, instalment loans receivable reached HK\$302.4 million as at 20th February 2002, an increase of 80.9% or HK\$135.2 million when compared with last year. Total debtor balance as at 20th February 2002 was HK\$2,924.2 million, an increase of HK\$183.5 million when compared with HK\$2,740.7 million as at 20th February 2001.

Provision for bad and doubtful debts as at 20th February 2002 increased sharply by 64.3% to HK\$148.7 million from HK\$90.5 million as at 20th February 2001. Provision for bad and doubtful debts as at 20th February 2002 represented 5.1% of the total debtor balance.

Management Discussion and Analysis

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

	20th February 2002		20th February 2001	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	116,692	4.0	86,356	3.1
Overdue 2 months but less than 3 months	32,177	1.1	22,145	0.8
Overdue 3 months or above	127,444	4.3	83,759	3.0
	<u>276,313</u>	<u>9.4</u>	<u>192,260</u>	<u>6.9</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 was from retained earnings. As at 20th February 2002, the Company had bank borrowings amounted to HK\$1,609.7 million, of which HK\$519.7 million was repayable within one year, and HK\$540.0 million issued debt securities backed by credit card receivables.

The Company had further strengthened its financial position as compared with 2000/01. As at 20th February 2002, total debt-to-equity ratio improved from 2.5 in 2000/01 to 2.1 in 2001/02. Taking into account the financial resources available to the Company including internally generated funds and available banking facilities, the Company had sufficient working capital to meet its present requirements.

In determining the dividend payment, consideration was given to rewarding shareholders with dividend income and retaining funds for future business development and expansion. In view of current unstable economic situation and the Company's plan to enter the China market, the board decided to reserve more funding to cater for the future business development of the Company. For the year ended 20th February 2002, the board recommended the payment of a final dividend of 8.0 HK cents per share, which together with an interim dividend of 5.0 HK cents per share, making a total dividend of 13.0 HK cents per share. The payout ratio for this fiscal year was 25.8%, which was comparable to that of last year.

As at 20th February 2002, capital commitments entered were mainly related to the purchase of property, plant and equipment. There was no major change in assets pledged when compared to that disclosed in the Company's 2000/01 Annual Report.

The Company's principal operations are transacted and recorded in Hong Kong dollar. During the year, the Company engaged in derivative activities mainly to hedge its balance sheet exposure.

Management Discussion and Analysis

SEGMENT INFORMATION

The Company's business comprised mainly three operating divisions, namely credit card, hire purchase and instalment loan. In 2001/02 and 2000/01, over 85% of the Company's operating income after provisions was contributed from credit card operation. When compared to the corresponding period of last year, the operating income after provisions of credit card operation decreased by 11.5% to HK\$420.0 million while the operating income after provisions of instalment loan operation increased by 89.3% to HK\$38.1 million. The decrease in operating income after provisions of credit card operation was due to the higher than expected charge for bad and doubtful debts following the sharp increase in personal bankruptcies. The increase in operating income after provisions of instalment loan operation was due to the overwhelming response to the newly launched AeON-CASH and web-loan products.

COMPETITIVE ADVANTAGES

Synergy

The Company continued to benefit from its vast customer data-base and extensive infrastructure. Despite the tough operating environment, through the direct customer contacts at promotion counters, branches, internet and our call centers in Hong Kong and Shenzhen, we still maintained a growth in the credit card receivables and instalment loan receivables 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 had assisted the Company in tackling the changing market environment and introducing innovative marketing ideas and risk control measures.

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 affinity cards issued with Jusco, namely the AEON Jusco MasterCard and the AEON Jusco American Express Card. Around 60% of our customers was in the age range of 21 to 40 years old, out of which 40% was young generation. Moreover, with the well-acceptance of Hello Kitty Cards and affinity cards, the percentage of female cardholders had reached 55%.

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 at 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 provides additional convenience and wide-ranging choice to our cardholders.

FOUR ELEMENTS OF SUCCESS

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



Senior Management Profile

DIRECTORS

Mr. Yoshiki MORI, aged 51, 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 45, is the Managing Director of the Company, as well as a Director of **AEON** Credit Service Co., Ltd. He graduated from Ritsumeikan University, Japan 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. Masanori KOSAKA, aged 46, is an Executive Director of the Company. He joined **AEON** Credit Service Co., Ltd. in 1981. He was formerly with the Company from March 1993 to June 1996 and rejoined the Company in April 2002. Mr. Kosaka graduated from Kyoto Sangyo University, Japan with a Bachelor Degree in Law.

Mr. LAI Yuk Kwong, aged 39, 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.

Ms. KOH Yik Kung, aged 46, is an Executive Director of the Company 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. Takuya MORIKAWA, aged 39, is an Executive Director of the Company. He joined **AEON** Credit Service Co., Ltd. in March 1988 and was the Branch Manager of Tokyo branch in March 1997. Mr. Morikawa joined the Company in September 2000.

Mr. Yoichi KIMURA, aged 57, is a Non-Executive Director of the Company. He is also a Director of **AEON** Co., Ltd. (formerly known as Jusco Co., Ltd.). 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.

Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SHAO You Bao, aged 81, 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 75, 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

Mr. Ivan S. C. WONG, aged 41, is the General Manager of the Internal Operation Division. 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. Ban S. P. PAN, aged 34, is the General Manager of the Marketing Division. 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. Jackson S. Y. LI, aged 41, is the General Manager of the Information System Division. 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. Tomoyuki KAWAHARA, aged 41, is the General Manager of the Branch Control Department. He joined the Company in September 2000. Mr. Kawahara holds a Bachelor of Arts Degree in Business Administration from Hokkaido University, Japan.

Mr. Jamie S. S. LEI, aged 43, 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.

Ms. Dorothy F. K. CHAN, aged 33, is the Financial Controller of the Company. She joined the Company in April 1995 and 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 2002 Annual General Meeting of AEON Credit Service (Asia) Company Limited (the “Company”) will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, No. 88 Queensway, Hong Kong on Thursday, 20th June 2002 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 2002.
2. To declare a Final Dividend for the year ended 20th February 2002.
3. To re-elect Directors and authorise the Board of Directors to fix their remuneration.
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.

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

5. **“THAT:**
 - (a) 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

Notice of Annual General Meeting

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

- (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

Notice of Annual General Meeting

(c) for the purposes of this Resolution:

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

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

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 2002

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, 14th June 2002 to Thursday, 20th June 2002 (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, 13th June 2002.
- (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 2002.

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 has established policies and systems for the monitoring and control of credit risk. The Company's credit policy defines the credit extension criteria, the credit approval and monitoring processes. 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 maintained 70% of its bank borrowings in long-term with fixed interest rate. Moreover, 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.

Directors' Report

QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS (Cont'd)

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 with adequate standby facilities being maintained to meet loan demand in the ordinary course of business.

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 it is within internally established limits and at reasonable costs.

TOTAL DEBT-TO-EQUITY RATIO

At 20th February 2002, total debt-to-equity ratio was 2.1 (2001: 2.5).

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 20th February 2002 are set out in the income statement on page 32 of the annual report.

An interim dividend of 5.0 HK cents (2001: 4.5 HK cents) per share amounting to HK\$20,938,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 8.0 HK cents (2001: 8.0 HK cents) per share to the shareholders on the register of members on 20th June 2002 amounting to HK\$33,502,000, and the retention of the remaining profit for the year.

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 66 of the annual report.

Directors' Report

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in notes 28 and 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Company spent approximately HK\$48.7 million on computer equipment, HK\$1.4 million on furniture and fixtures and HK\$2.9 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 14 to the financial statements.

DIRECTORS

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

Executive directors:

Kazuhide KAMITANI (<i>Managing director</i>)	
Masanori KOSAKA	(<i>appointed on 25th April 2002</i>)
LAI Yuk Kwong	
KOH Yik Kung	(<i>appointed on 21st June 2001</i>)
Takuya MORIKAWA	(<i>appointed on 25th April 2002</i>)
Naruhito KURODA	(<i>resigned on 21st June 2001</i>)
Hiroshi IWASAKI	(<i>appointed on 21st June 2001 and resigned on 20th February 2002</i>)

Non-executive directors:

Yoshiki MORI (<i>Chairman</i>)	
Kazuro ASANO	(<i>resigned on 25th April 2002</i>)
Yoichi KIMURA	

Independent non-executive directors:

SHAO You Bao	
TSANG Wing Hong	

Directors' Report

DIRECTORS (Cont'd)

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. 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

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' INTERESTS IN SHARES AND DEBENTURES

At 20th February 2002, 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
Kazuro Asano	10,000
Shao You Bao	330,000
Tsang Wing Hong	220,000
Hiroshi Iwasaki	110,000

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

Directors	Number of shares held under personal interests
Yoshiki Mori	12,766
Kazuhide Kamitani	4,032
Kazuro Asano	820
Hiroshi Iwasaki	1,200

Directors' Report

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

(c) **AEON Co., Ltd. (formerly known as Jusco Co., Ltd.) ("AEON Japan") – ultimate holding company of the Company**

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

(d) **Jusco Stores (Hong Kong) Co., Limited ("Jusco HK") – 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 HK for which the Company receives a commission from this fellow subsidiary in respect of certain purchases made by the customers with the use of the Jusco Card, the AEON Jusco MasterCard, the AEON Card and the AEON Jusco American Express Card launched on 19th June 2001 and certain purchases made by the customers which are financed by interest-free hire purchase 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, the AEON Jusco MasterCard and the AEON Jusco American Express Card.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

For purchases made by the customers at the stores of Jusco HK using Jusco Card, AEON Jusco MasterCard and AEON Jusco American Express Card, the commission rate is 0.8% except that the commission rate on Jusco 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 facilities provided by the Company, the commission rates are 3%, 2.5% and 10% respectively for the 6 month, 9 month and 24 month interest-free hire purchase. For the 12 month and 18 month interest-free hire purchase, with effect from 1st October 2001, the commission rates payable by Jusco HK have been adjusted from 5.0% to 4.75% and 7.6% to 8.25% respectively.

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, AEON Jusco MasterCard and AEON Jusco American Express Card, and (iii) 1.3% for credit purchase charged to the AEON Card.

The total amount of commission received and receivable by the Company from Jusco HK for the year ended 20th February 2002 under these arrangements was HK\$20,392,000, representing 1.9% of the Company's net tangible assets at 20th February 2002.

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

Location	Licence Period	Area Sq. Ft.	Monthly licence fee (exclusive of rates and management fees) HK\$
Shop No.212, Lok Fu Shopping Center II, Wang Tau Hom East Road, Kowloon	12th March 2001 to 11th March 2003	603	70,147
Shop No.109, Level One, Jusco Department Store, Tai Po Mega Mall, Zone B, 9 On Pong Road, Tai Po, New Territories	1st March 2001 to 28th February 2003	200	30,000
Shop No.G5-16, G/F, Whampoa Jusco Store, Hung Hom, Kowloon	4th October 2001 to 3rd October 2003	680	80,000

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

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.L302, 3/F., 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.001, 6/F., 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. L220, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories	12th February 2001 to 11th February 2003	715	57,200
Shop No. 405, 4/F., Tsuen Wan Plaza, Tsuen Wan, New Territories	18th January 2000 to 5th March 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 and payable by the Company to Jusco HK for the year ended 20th February 2002 was HK\$6,723,000, representing 0.6% of the Company's net tangible assets at 20th February 2002.

Directors' Report

CONNECTED TRANSACTIONS (Cont'd)

- (iii) Under the name licence and territory agreement (and a supplementary agreement thereto) with *AEON* Japan, 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 *AEON* Japan for the year ended 20th February 2002 was HK\$45,000.
- (iv) Under a territory agreement (and a supplementary agreement thereto) with *AEON* Credit Japan, *AEON* Credit 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* Credit Japan under this agreement.
- (v) The Company currently has 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 paid and payable by the Company to AEON Shenzhen for the year ended 20th February 2002 amounted to HK\$6,098,000, representing 0.6% of the Company's net tangible assets at 20th February 2002.

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 Japan and *AEON* Japan 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 Japan.

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 2002, 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	%
ÆON Credit Service Co., Ltd. (Note 1)	217,514,000	51.9
ÆON 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 ÆON Credit Japan and 4,400,000 shares were held by Nomura Securities (HK) Limited, as nominee on behalf of ÆON Credit Japan.
- (2) ÆON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 44.23% and 71.64% of the issued share capital of ÆON Credit Japan and Jusco HK 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 ÆON Credit Japan and Jusco HK 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 2002.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company of its listed securities.

DONATIONS

During the year, the Company made charitable and other donations amounting to HK\$2,515,000.

Directors' Report

RETIREMENT BENEFITS SCHEME

Details of the Company's retirement benefits scheme are set out in note 37 to the financial statements.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 20th February 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors are not appointed for specific terms. They are subject to retirement and re-election at the annual general meeting of the Company in accordance with Article 101 of the Company's Articles of Association.

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 "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

A resolution to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Kamitani', written in a cursive style.

Kazuhide KAMITANI
Managing Director

Hong Kong, 25th April 2002

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 32 to 65 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.

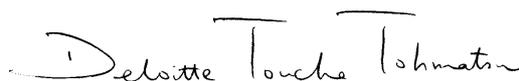
Basis of opinion

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 2002 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

25th April 2002



Income Statement

For the year ended 20th February 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	4	<u>849,205</u>	<u>817,140</u>
Interest income		804,115	769,868
Interest expense	5	<u>(170,798)</u>	<u>(191,777)</u>
Net interest income		633,317	578,091
Other operating income	6	<u>78,471</u>	<u>68,877</u>
Operating income		711,788	646,968
Operating expenses	7	<u>(296,444)</u>	<u>(273,092)</u>
Operating profit before provisions		415,344	373,876
Charge for bad and doubtful debts	9	<u>(235,407)</u>	<u>(135,019)</u>
Operating profit after provisions		179,937	238,857
Other income	10	<u>67,734</u>	<u>3,317</u>
Profit before taxation		247,671	242,174
Income tax	11	<u>(36,669)</u>	<u>(32,170)</u>
Net profit for the year		<u>211,002</u>	<u>210,004</u>
Earnings per share	13	<u>50.39 cents</u>	<u>50.15 cents</u>

Balance Sheet

At 20th February 2002

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000 <i>(restated)</i>
Non-current assets			
Property, plant and equipment	14	80,240	65,671
Interest in associates	15	2,246	2,638
Investment securities	16	10,224	11,889
Hire purchase debtors	18	44,166	66,568
Instalment loans receivable	19	35,002	20,064
Pledged time deposits	35(c)	120,774	120,774
		292,652	287,604
Current assets			
Other investments	17	39,040	3,646
Hire purchase debtors	18	237,375	251,467
Instalment loans receivable	19	254,021	140,355
Credit card receivables	20	2,204,963	2,171,783
Prepayments, deposits, interest receivable and other debtors		162,069	88,745
Pledged time deposits	35(d)	11,070	11,070
Time deposits		6,700	133,481
Bank balances and cash		87,453	66,763
		3,002,691	2,867,310
Current liabilities			
Creditors and accrued charges	22	46,094	61,653
Amount due to immediate holding company	24	63	49
Amount due to a fellow subsidiary	25	42,499	43,382
Amount due to ultimate holding company	26	46	46
Bank borrowings – repayable within one year	27	519,746	461,640
Taxation		9,007	12,392
		617,455	579,162
Net current assets		2,385,236	2,288,148
Total assets less current liabilities		2,677,888	2,575,752

Balance Sheet

At 20th February 2002

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000 <i>(restated)</i>
Capital and reserves			
Issued capital and reserves	28	302,979	302,979
Accumulated profits	29	752,858	596,296
		<u>1,055,837</u>	<u>899,275</u>
Non-current liabilities			
Bank borrowings – repayable after one year	27	1,090,000	1,155,000
Issued debt securities	30	524,054	517,877
Deferred taxation	31	7,997	3,600
		<u>1,622,051</u>	<u>1,676,477</u>
		<u>2,677,888</u>	<u>2,575,752</u>

The financial statements on pages 32 to 65 were approved and authorised for issue by the Board of Directors on 25th April 2002 and are signed on its behalf by:



DIRECTOR



DIRECTOR

Statement of Recognized Gains and Losses

For the year ended 20th February 2002

	2002	2001
	HK\$'000	HK\$'000
Net profit for the year and total recognized gain	<u>211,002</u>	<u>210,004</u>
Prior period adjustment arising from the effect of change in an accounting policy:		
– increase in dividend reserve for the proposed final dividend at 21st February 2000		<u>28,552</u>

Cash Flow Statement

For the year ended 20th February 2002

	Notes	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	32	<u>188,502</u>	<u>325,098</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(170,593)	(186,570)
Dividends paid		(54,439)	(47,397)
Dividends received		<u>1,136</u>	<u>282</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(223,896)</u>	<u>(233,685)</u>
CASH OUTFLOW FROM TAXATION			
Hong Kong Profits Tax paid		<u>(35,657)</u>	<u>(27,830)</u>
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		25,000	–
Purchase of property, plant and equipment		(53,146)	(46,626)
Acquisition of interest in associates		–	(2,143)
Decrease in pledged time deposits		–	1,493
Purchase of investment securities		–	(2,500)
Proceeds from disposal of investment securities		–	3,623
Purchase of other investments		–	(3,646)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(28,146)</u>	<u>(49,799)</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		<u>(99,197)</u>	<u>13,784</u>
FINANCING	33		
New bank loans		515,000	790,000
Repayment of bank loans		<u>(635,000)</u>	<u>(640,000)</u>
NET CASH (OUTFLOW) INFLOW FROM FINANCING		<u>(120,000)</u>	<u>150,000</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(219,197)	163,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>(11,396)</u>	<u>(175,180)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>(230,593)</u></u>	<u><u>(11,396)</u></u>

Cash Flow Statement

For the year ended 20th February 2002

<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits	6,700	133,481
Bank balances and cash	87,453	66,763
Bank loans	(322,800)	(210,000)
Bank overdrafts	(1,946)	(1,640)
	<u>(230,593)</u>	<u>(11,396)</u>



Notes to the Financial Statements

For the year ended 20th February 2002

1. GENERAL

The Company is a 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 *AEON* 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. CHANGES IN ACCOUNTING POLICIES

In the current year, the Company has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these accounting standards has no significant impact on the financial statements of the current or prior period except the follows:

- In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date, but are disclosed as a separate component of capital and reserves in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The proposed final dividend of HK\$28,552,000 for 1999/2000 has been reversed and recognized in the year ended 20th February 2001. The proposed final dividend of HK\$33,502,000 included in the dividend payable in the balance sheet of the Company as at 20th February 2001 has been reversed and the restated capital and reserves brought forward from 21st February 2001 of the Company is HK\$899,275,000.
- The adoption of SSAP 14 (Revised) *Leases* has not resulted in any significant changes to the accounting treatment adopted for leases and accordingly, no prior period adjustment has been required. Disclosures relating to the Company's leasing arrangements have been modified so as to comply with the new requirements of SSAP 14 (Revised). Comparative amounts have been restated to achieve a consistent presentation.
- SSAP 26 *Segment Reporting* has introduced new principles for reporting financial information by segment. Segment disclosures for the year ended 20th February 2002 have been presented to conform with the requirements of the standard.

Notes to the Financial Statements

For the year ended 20th February 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities. 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 recognized 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 recognized 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 recognized in the income statement on a time proportion basis.

Commission income is recognized in the income statement when earned.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses. 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.

Notes to the Financial Statements

For the year ended 20th February 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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

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

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 recognized 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 identified impairment loss. Results of associates are accounted for by the Company on the basis of dividends received or receivable during the year.

Investments in securities

Investments in securities are recognized 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 recognized 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 recognized 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 unrealized gains and losses included in net profit or loss for the year.

Notes to the Financial Statements

For the year ended 20th February 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

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.

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.

Notes to the Financial Statements

For the year ended 20th February 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 recognized in the financial statements. The tax effect of timing differences, computed using the liability method, is recognized 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 recognized 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 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Company is currently organised into three operating divisions – credit card, hire purchase and instalment loan. These divisions are the basis on which the Company reports its primary segment information.

Principal activities are as follows:

- | | | |
|-----------------|---|---|
| Credit card | – | Provide credit card services to individuals and acquiring services for member-stores |
| Hire purchase | – | Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals |
| Instalment loan | – | Provide personal loan financing to individuals |

Notes to the Financial Statements

For the year ended 20th February 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

Segment information about these businesses is presented below:

2002

	Credit card HK\$'000	Hire purchase HK\$'000	Instalment loan HK\$'000	Other operation HK\$'000	Combined HK\$'000
INCOME STATEMENT					
REVENUE	<u>722,892</u>	<u>39,073</u>	<u>77,742</u>	<u>9,498</u>	<u>849,205</u>
RESULT					
Segment result	420,043	22,653	38,070	(4,385)	476,381
Unallocated operating expenses					(296,444)
Unallocated other income					<u>67,734</u>
Profit before taxation					247,671
Income tax					<u>(36,669)</u>
Net profit for the year					<u><u>211,002</u></u>
BALANCE SHEET					
ASSETS					
Segment assets	2,428,976	282,573	297,875	60,016	3,069,440
Unallocated corporate assets					<u>225,903</u>
Total assets					<u><u>3,295,343</u></u>
LIABILITIES					
Segment liabilities	1,612,636	233,023	179,761	196,973	2,222,393
Unallocated corporate liabilities					<u>17,113</u>
Total liabilities					<u><u>2,239,506</u></u>

Notes to the Financial Statements

For the year ended 20th February 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2001

	Credit card HK\$'000	Hire purchase HK\$'000	Instalment loan HK\$'000	Other operation HK\$'000	Combined HK\$'000
INCOME STATEMENT					
REVENUE	<u>720,470</u>	<u>42,416</u>	<u>36,507</u>	<u>17,747</u>	<u>817,140</u>
RESULT					
Segment result	474,887	19,014	20,106	(2,058)	511,949
Unallocated operating expenses					(273,092)
Unallocated other income					<u>3,317</u>
Profit before taxation					242,174
Income tax					<u>(32,170)</u>
Net profit for the year					<u>210,004</u>
BALANCE SHEET					
ASSETS					
Segment assets	2,357,618	319,621	164,319	29,267	2,870,825
Unallocated corporate assets					<u>284,089</u>
Total assets					<u>3,154,914</u>
LIABILITIES					
Segment liabilities	1,575,866	295,906	104,065	263,716	2,239,553
Unallocated corporate liabilities					<u>16,086</u>
Total liabilities					<u>2,255,639</u>

Notes to the Financial Statements

For the year ended 20th February 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(b) Geographical segments

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

5. INTEREST EXPENSE

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	137,700	141,993
Finance costs on issue of debt securities wholly repayable within five years	33,098	49,784
	<u>170,798</u>	<u>191,777</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\$6,177,000 (2001: HK\$6,504,000).

6. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Dividends received on		
Listed investment	1,136	195
Unlisted investment	–	87
Fee and commission		
Credit card	20,017	23,019
Hire purchase	25,073	24,253
Handling, late and storage charges	23,744	13,819
Others	8,501	7,504
	<u>78,471</u>	<u>68,877</u>

Notes to the Financial Statements

For the year ended 20th February 2002

7. OPERATING EXPENSES

	2002 HK\$'000	2001 HK\$'000
Administrative expenses	64,338	55,771
Advertising expenses	22,628	27,782
Auditors' remuneration	1,350	1,286
Depreciation	26,082	21,579
Exchange loss	100	–
Loss on disposal of property, plant and equipment	–	307
Operating lease rentals in respect of rented premises, advertising space and equipment	58,802	53,740
Other operating expenses	33,810	33,149
Staff costs	89,334	79,478
	<u>296,444</u>	<u>273,092</u>

Operating lease rentals in respect of directors' accommodation and staff quarters of HK\$715,000 (2001: HK\$631,000) and HK\$1,545,000 (2001: HK\$884,000) are included under directors' other emoluments which are disclosed in note 8 and staff costs respectively.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Non-executive	500	375
Independent non-executive	410	285
	<u>910</u>	<u>660</u>
Other emoluments to executive directors:		
Salaries, housing benefits, other allowances and benefits	5,083	4,558
Discretionary bonus	700	950
Mandatory provident fund contributions	20	3
	<u>6,713</u>	<u>6,171</u>

Notes to the Financial Statements

For the year ended 20th February 2002

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

The emoluments of the directors were within the following bands:

	2002	2001
	No. of directors	
Nil to HK\$1,000,000	7	6
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>10</u>	<u>9</u>

During the year, the five highest paid individuals included four directors (2001: three directors), details of whose emoluments are set out in above. The emoluments paid to the remaining one individual (2001: two individuals) were as follows:

	2002	2001
	HK\$'000	
Salaries and other benefits	786	2,381
Discretionary bonus	15	108
	<u>801</u>	<u>2,489</u>

The emoluments of the remaining one individual (2001: two individuals) were within the following bands:

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

Notes to the Financial Statements

For the year ended 20th February 2002

9. CHARGE FOR BAD AND DOUBTFUL DEBTS

	2002 HK\$'000	2001 HK\$'000
Specific provision made	222,614	128,856
Increase in general provision	12,793	6,163
	<u>235,407</u>	<u>135,019</u>

10. OTHER INCOME

	2002 HK\$'000	2001 HK\$'000
Gain on disposal of property, plant and equipment	34,005	–
Net unrealized gain on revaluation of other investments	33,729	–
Gain from disposal of investment securities	–	3,317
	<u>67,734</u>	<u>3,317</u>

11. INCOME TAX

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% (2001: 16%) of the estimated assessable profit	32,272	28,570
Deferred taxation	4,397	3,600
	<u>36,669</u>	<u>32,170</u>

Details of the deferred tax charge provided and not provided for during the year are set out in note 31.

Notes to the Financial Statements

For the year ended 20th February 2002

12. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim paid:		
5.0 HK cents (2001: 4.5 HK cents) per share	20,938	18,844
Final proposed:		
8.0 HK cents (2001: 8.0 HK cents) per share	33,502	33,502
	<u>54,440</u>	<u>52,346</u>

The final dividend of 8.0 HK cents (2001: 8.0 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$211,002,000 (2001: HK\$210,004,000) and on the number of 418,766,000 (2001: 418,766,000) shares in issue during the year.

Notes to the Financial Statements

For the year ended 20th February 2002

14. 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 2001	20,956	12,936	123,308	1,056	158,256
Additions	2,918	1,401	48,728	99	53,146
Disposals	(799)	–	(42,145)	–	(42,944)
At 20th February 2002	23,075	14,337	129,891	1,155	168,458
DEPRECIATION					
At 21st February 2001	17,048	3,911	71,135	491	92,585
Provided for the year	3,186	2,377	20,225	294	26,082
Eliminated on disposals	(799)	–	(29,650)	–	(30,449)
At 20th February 2002	19,435	6,288	61,710	785	88,218
NET BOOK VALUES					
At 20th February 2002	3,640	8,049	68,181	370	80,240
At 20th February 2001	3,908	9,025	52,173	565	65,671

15. INTEREST IN ASSOCIATES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares at cost	1,987	1,988
Amount due from an associate	259	650
	2,246	2,638

Notes to the Financial Statements

For the year ended 20th February 2002

15. INTEREST IN ASSOCIATES (Cont'd)

Details of the Company's associates at 20th February 2002 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of ownership interest	Principal activity
AEON Information Service (Shenzhen) Co., Ltd.	Incorporated	People's Republic of China	50%	Provision of call center services
AEON Credit Service (Taiwan) Co., Ltd.	Incorporated	Taiwan	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:

	2002 HK\$'000	2001 HK\$'000
Share of loss of associates	<u>(27)</u>	<u>(1,335)</u>
Share of net assets	<u>575</u>	<u>594</u>

Share of the associate's post acquisition results:

	2002 HK\$'000	2001 HK\$'000
Accumulated loss brought forward	(1,394)	(59)
Share of loss for the year	<u>(27)</u>	<u>(1,335)</u>
Accumulated loss carried forward	<u>(1,421)</u>	<u>(1,394)</u>

Notes to the Financial Statements

For the year ended 20th February 2002

16. INVESTMENT SECURITIES

	2002 HK\$'000	2001 HK\$'000
At cost:		
Issued by corporate entities		
Listed shares		
Hong Kong	6,041	3,541
Overseas	4,183	2,753
Unlisted shares	–	5,595
	<u>10,224</u>	<u>11,889</u>
Market value of listed shares	<u>41,573</u>	<u>20,751</u>

17. OTHER INVESTMENTS

Other investments represent shares listed overseas and are stated at market value.

18. HIRE PURCHASE DEBTORS

	Minimum lease payments		Present value of minimum lease payment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts receivable under hire purchase contracts:				
Within one year	246,536	266,157	239,164	253,437
In the second to fifth year inclusive	49,895	78,044	45,040	67,089
	<u>296,431</u>	<u>344,201</u>	<u>284,204</u>	<u>320,526</u>
Unearned finance income	<u>(12,227)</u>	<u>(23,675)</u>	<u>–</u>	<u>–</u>
Present value of minimum lease payment receivable	<u>284,204</u>	<u>320,526</u>	<u>284,204</u>	<u>320,526</u>

Notes to the Financial Statements

For the year ended 20th February 2002

18. HIRE PURCHASE DEBTORS (Cont'd)

Analysed as:

	2002 HK\$'000	2001 HK\$'000
Due:		
Within one year	239,164	253,437
Thereafter	45,040	67,089
	<u>284,204</u>	<u>320,526</u>
Provision for bad and doubtful debts	(2,663)	(2,491)
	<u>281,541</u>	<u>318,035</u>
Current portion included under current assets	<u>(237,375)</u>	<u>(251,467)</u>
Amount due after one year	<u><u>44,166</u></u>	<u><u>66,568</u></u>

The Company enters into the hire purchase arrangements for customers. The term of hire purchase contracts entered into ranges from 6 months to 5 years.

19. INSTALMENT LOANS RECEIVABLE

	2002 HK\$'000	2001 HK\$'000
Due:		
Within one year	265,767	146,259
Thereafter	36,620	20,908
	<u>302,387</u>	<u>167,167</u>
Provision for bad and doubtful debts	(13,364)	(6,748)
	<u>289,023</u>	<u>160,419</u>
Current portion included under current assets	<u>(254,021)</u>	<u>(140,355)</u>
Amount due after one year	<u><u>35,002</u></u>	<u><u>20,064</u></u>

Notes to the Financial Statements

For the year ended 20th February 2002

20. CREDIT CARD RECEIVABLES

	2002 HK\$'000	2001 HK\$'000
Credit card receivables	2,337,615	2,253,027
Provision for bad and doubtful debts	(132,652)	(81,244)
	<u>2,204,963</u>	<u>2,171,783</u>

21. 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 for more than 1 month:

	2002		2001	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	116,692	4.0	86,356	3.1
Overdue 2 months but less than 3 months	32,177	1.1	22,145	0.8
Overdue 3 months or above	127,444	4.3	83,759	3.0
	<u>276,313</u>	<u>9.4</u>	<u>192,260</u>	<u>6.9</u>

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

	2002		2001	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	94,628	3.2	68,302	2.5
Overdue 2 months but less than 3 months	26,948	0.9	19,798	0.7
Overdue 3 months or above	126,235	4.3	81,779	3.0
	<u>247,811</u>	<u>8.4</u>	<u>169,879</u>	<u>6.2</u>

* Percentage of total debtor balance

Notes to the Financial Statements

For the year ended 20th February 2002

22. CREDITORS AND ACCRUED CHARGES

The aging analysis of creditors and accrued charges was as follows:

	2002 HK\$'000	2001 HK\$'000
Current	44,189	56,660
Over 1 month but less than 3 months	1,642	4,480
Over 3 months	263	513
	<u>46,094</u>	<u>61,653</u>

23. MATURITY PROFILE

	2002			Total HK\$'000
	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	4 years or less but over 1 year HK\$'000	
ASSETS				
Credit card receivable	2,337,615	-	-	2,337,615
Hire purchase debtors	96,517	142,647	45,040	284,204
Instalment loans receivable	97,057	168,710	36,620	302,387
Pledged time deposits	126,844	5,000	-	131,844
Time deposits	6,700	-	-	6,700
	<u>2,664,733</u>	<u>316,357</u>	<u>81,660</u>	<u>3,062,750</u>

Notes to the Financial Statements

For the year ended 20th February 2002

23. MATURITY PROFILE (Cont'd)

	2001			Total HK\$'000
	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	4 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
	2,654,027	264,021	87,997	3,006,045
	2,654,027	264,021	87,997	3,006,045

24. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

25. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

26. 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 2002

27. BANK BORROWINGS

	2002 HK\$'000	2001 HK\$'000
Bank overdraft, unsecured	1,946	1,640
Bank loans, unsecured	1,477,800	1,485,000
Bank loans, secured	130,000	130,000
	<u>1,609,746</u>	<u>1,616,640</u>
The maturity of bank borrowings is as follows:		
Within one year	519,746	461,640
Between one and two years	530,000	440,000
Between two to five years	560,000	715,000
	<u>1,609,746</u>	<u>1,616,640</u>
Amount repayable within one year included under current liabilities	<u>(519,746)</u>	<u>(461,640)</u>
Amount repayable after one year	<u>1,090,000</u>	<u>1,155,000</u>

28. ISSUED CAPITAL AND RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 21st February 2000					
– as originally stated	38,070	231,137	270	–	269,477
– prior period adjustment	–	–	–	28,552	28,552
– as restated	38,070	231,137	270	28,552	298,029
Issue by capitalization of the share premium account	3,807	(3,807)	–	–	–
Final dividend paid for 1999/2000	–	–	–	(28,552)	(28,552)
Final dividend proposed for 2000/01	–	–	–	33,502	33,502
At 20th February 2001	41,877	227,330	270	33,502	302,979
Final dividend paid for 2000/01	–	–	–	(33,502)	(33,502)
Final dividend proposed for 2001/02	–	–	–	33,502	33,502
At 20th February 2002	<u>41,877</u>	<u>227,330</u>	<u>270</u>	<u>33,502</u>	<u>302,979</u>

Notes to the Financial Statements

For the year ended 20th February 2002

28. ISSUED CAPITAL AND RESERVES (Cont'd)

The authorised share capital of the Company is 1,000 million (2001: 1,000 million) ordinary shares of HK\$0.1 each.

29. ACCUMULATED PROFITS

	2002 HK\$'000	2001 HK\$'000
At 21st February	596,296	438,638
Net profit for the year	211,002	210,004
Interim dividend paid	(20,938)	(18,844)
Final dividend proposed	(33,502)	(33,502)
	<u>752,858</u>	<u>596,296</u>
At 20th February	<u>752,858</u>	<u>596,296</u>

The Company's reserves available for distribution to shareholders as at 20th February 2002 amounted to HK\$786,360,000 (2001: HK\$629,798,000), representing the aggregate of the dividend reserve and the accumulated profits.

30. ISSUED DEBT SECURITIES

	2002 HK\$'000	2001 HK\$'000
Consideration received on the issue	540,000	540,000
Unamortised portion of costs in connection with issue of debt securities	(15,946)	(22,123)
	<u>524,054</u>	<u>517,877</u>

The Company raised 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 2002

31. DEFERRED TAXATION

	2002 HK\$'000	2001 HK\$'000
At 21st February	3,600	–
Charge for the year	4,397	3,600
	<u>7,997</u>	<u>3,600</u>
At 20th February	<u>7,997</u>	<u>3,600</u>

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

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	–	–	10,022	9,212
General provision for bad and doubtful debts	–	–	(3,123)	(1,076)
Unamortised cost in connection with issue of debt securities	2,600	3,600	–	–
Net unrealized gain on revaluation of other investments	5,397	–	–	–
	<u>7,997</u>	<u>3,600</u>	<u>6,899</u>	<u>8,136</u>

The deferred tax liability of the Company amounting to HK\$6,899,000 (2001: HK\$8,136,000) 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 2002

31. DEFERRED TAXATION (Cont'd)

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

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	810	3,820
(Increase) decrease in general provision for bad and doubtful debts	(2,047)	2,049
	<u>(1,237)</u>	<u>5,869</u>

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

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	247,671	242,174
Interest expense	170,798	191,777
Dividends received on investment securities	(1,136)	(282)
Depreciation	26,082	21,579
(Gain) loss on disposal of property, plant and equipment	(34,005)	307
Gain from disposal of investment securities	-	(3,317)
Net unrealized gain on revaluation of other investments	(33,729)	-
Increase in provision for bad and doubtful debts	58,196	5,345
Decrease in amount due from an associate	392	-
Decrease in hire purchase debtors	36,322	873
Increase in instalment loans receivable	(135,220)	(80,296)
Increase in credit card receivables	(84,588)	(25,872)
Increase in prepayments, deposits, interest receivable and other debtors	(51,824)	(11,804)
Decrease in creditors and accrued charges	(9,588)	(15,941)
Increase (decrease) in amount due to immediate holding company	14	(3)
(Decrease) increase in amount due to a fellow subsidiary	(883)	547
Increase in amount due to ultimate holding company	-	11
Net cash inflow from operating activities	<u>188,502</u>	<u>325,098</u>

Notes to the Financial Statements

For the year ended 20th February 2002

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Issued debt securities HK\$'000	Bank loans HK\$'000
At 21st 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	–
At 20th February 2001	517,877	1,405,000
New loans raised	–	515,000
Repayment of loans	–	(635,000)
Other movement not involving cash:		
Amortisation of costs in connection with issue of debt securities included in interest expense	6,177	–
At 20th February 2002	524,054	1,285,000

34. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and advertising space which fall due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	37,972	28,969
In the second to fifth year inclusive	17,646	6,504
	55,618	35,473

Leases for rented premises and advertising space are negotiated for an average term of two years and rentals are fixed for an average of one year.

Notes to the Financial Statements

For the year ended 20th February 2002

34. OPERATING LEASE COMMITMENTS (Cont'd)

During the year, the Company disposed of certain computer equipment and entered into lease agreements to lease back the equipment for a basic term of twelve months, with an option to renew the lease for two twelve-month terms, at a fixed monthly rental throughout the lease period. The Company has been granted an option to purchase the equipment at the end of each twelve-month term at an amount equal to the higher of the market price or the fixed purchase price as stipulated in the lease agreements. At the balance sheet date, the Company had commitments for minimum future lease payments in respect of the above leasing arrangements falling due within one year under the basis term of HK\$11,151,000 (2001: Nil). Lease payments under the renewal option for two twelve-month terms which fall due within one year and in the second to fifth year inclusive are HK\$1,161,000 (2001: Nil) and HK\$23,463,000 (2001: Nil) respectively.

35. PLEDGE OF ASSETS

- (a) At 20th February 2002, the Company's issued debt securities were secured by credit card receivables of HK\$663,813,000 (2001: HK\$684,864,000).
- (b) At 20th February 2002, the Company's bank loans of HK\$130,000,000 (2001: HK\$130,000,000) were secured by hire purchase debtors of HK\$214,014,000 (2001: HK\$229,967,000).
- (c) The pledged time deposits include special deposits amounting to HK\$100,494,000 (2001: 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 (2001: HK\$20,280,000) 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 (2001: HK\$11,070,000) to banks to secure the short term general banking facilities and the sharing of ATM network.

Notes to the Financial Statements

For the year ended 20th February 2002

36. 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:

	2002 HK\$'000	2001 HK\$'000
Interest rate contracts:		
Swaps	480,000	270,000
Caps	570,000	620,000
Exchange rate contracts:		
Swaps	65,000	95,000
	<u>1,115,000</u>	<u>985,000</u>

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.

37. RETIREMENT BENEFITS SCHEME

The Company operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are separately kept from those of the Company, in funds under the control of trustees. The contribution to the MPF Scheme for the year is HK\$2,408,000 (2001: HK\$619,000).

Notes to the Financial Statements

For the year ended 20th February 2002

38. CAPITAL COMMITMENTS

	2002 HK\$'000	2001 HK\$'000
Contracted for, but not provided in the financial statements:		
Purchase of property, plant and equipment	<u>18,981</u>	<u>3,761</u>

39. 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	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission received a)	<u>20,392</u>	15,522	-	-	-	-	-	-
Licence fees paid b)	<u>6,723</u>	6,570	45	45	-	-	-	-
Service fees paid c)	-	-	-	-	6,098	1,477	-	-
Donation d)	-	-	-	-	-	-	2,422	-

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				
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Turnover	<u>524,634</u>	<u>717,900</u>	<u>795,222</u>	<u>817,140</u>	<u>849,205</u>
Profit before taxation	134,469	173,787	207,020	242,174	247,671
Income tax	<u>(22,350)</u>	<u>(27,397)</u>	<u>(27,000)</u>	<u>(32,170)</u>	<u>(36,669)</u>
Net profit for the year	<u>112,119</u>	<u>146,390</u>	<u>180,020</u>	<u>210,004</u>	<u>211,002</u>

ASSETS AND LIABILITIES

	At 20th February				
	1998 HK\$'000 (restated)	1999 HK\$'000 (restated)	2000 HK\$'000 (restated)	2001 HK\$'000 (restated)	2002 HK\$'000
Total assets	2,087,602	2,654,482	2,988,813	3,154,914	3,295,343
Total liabilities	<u>(1,593,929)</u>	<u>(2,055,957)</u>	<u>(2,252,145)</u>	<u>(2,255,639)</u>	<u>(2,239,506)</u>
Shareholders' funds	<u>493,673</u>	<u>598,525</u>	<u>736,668</u>	<u>899,275</u>	<u>1,055,837</u>

Prior periods have been restated to reflect the change in accounting policy for the adoption of SSAP 9 (Revised) as described in note 2 to the financial statements.