

The Board of Directors of JUSCO Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2002 together with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	Six months ended	
		31.8.2002 (Unaudited) HK\$'000	31.8.2001 (Unaudited) HK\$'000
Turnover		<b>1,801,257</b>	1,722,783
Other operating income	4	<b>99,303</b>	98,714
Changes in inventories		<b>(1,309,133)</b>	(1,243,926)
Staff costs		<b>(185,619)</b>	(181,696)
Depreciation		<b>(43,384)</b>	(40,165)
Other operating expenses		<b>(351,787)</b>	(331,575)
Profit from operations		<b>10,637</b>	24,135
Finance costs	5	<b>(9)</b>	(93)
Investment income		<b>2,397</b>	2,827
Profit from operating activities before taxation		<b>13,025</b>	26,869
Taxation	6	<b>(10,932)</b>	(7,718)
Profit before minority interest		<b>2,093</b>	19,151
Minority interest		<b>1,470</b>	(3,883)
Net profit for the period		<b><u>3,563</u></b>	<u>15,268</u>
Dividends proposed	7	<b><u>–</u></b>	<u>5,200</u>
Earnings per share	8	<b><u>1.37 cents</u></b>	<u>5.87 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 August 2002

	NOTES	31.8.2002 (Unaudited) HK\$'000	28.2.2002 (Audited) HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	9	<b>416,147</b>	398,838
Investment securities		<b>3,936</b>	3,936
		<b>420,083</b>	402,774
<b>Current Assets</b>			
Inventories		<b>266,883</b>	269,853
Trade receivables	10	<b>9,987</b>	6,057
Other receivables, prepayments and deposits		<b>99,000</b>	118,768
Amount due from a fellow subsidiary		<b>38,242</b>	19,685
Bank balances and cash		<b>326,137</b>	354,854
		<b>740,249</b>	769,217
<b>Current Liabilities</b>			
Trade payables	11	<b>472,997</b>	508,569
Other payables and accrued charges		<b>228,962</b>	197,078
Amount due to a fellow subsidiary		<b>4,578</b>	3,939
Amount due to ultimate holding company		<b>12,832</b>	23,640
Taxation		<b>21,654</b>	17,355
Dividend payable		<b>156</b>	86
		<b>741,179</b>	750,667
<b>Net Current (Liabilities) Assets</b>		<b>(930)</b>	18,550
		<b>419,153</b>	421,324
<b>Capital and Reserves</b>			
Share capital	12	<b>52,000</b>	52,000
Share premium and reserves		<b>323,213</b>	342,837
		<b>375,213</b>	394,837
<b>Minority Interest</b>		<b>43,940</b>	26,487
		<b>419,153</b>	421,324

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2002

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	The People's Republic of China ("PRC") statutory reserves HK\$'000	Total HK\$'000
At 1 March 2001	52,000	63,158	(588)	240,967	705	356,242
Exchange differences arising on translation of overseas operations not recognised in the income statement	–	–	1,540	–	–	1,540
Net profit for the period	–	–	–	15,268	–	15,268
Transfer, net of minority interest's share	–	–	–	(161)	161	–
Dividends paid	–	–	–	(33,800)	–	(33,800)
At 31 August 2001	52,000	63,158	952	222,274	866	339,250
Exchange differences arising on translation of overseas operations not recognised in the income statement	–	–	(903)	–	–	(903)
Net profit for the period	–	–	–	61,690	–	61,690
Transfer, net of minority interest's share	–	–	–	2	(2)	–
Dividends paid	–	–	–	(5,200)	–	(5,200)
At 28 February 2002	52,000	63,158	49	278,766	864	394,837
Exchange differences arising on translation of overseas operations not recognised in the income statement	–	–	1,513	–	–	1,513
Net profit for the period	–	–	–	3,563	–	3,563
Dividends paid	–	–	–	(24,700)	–	(24,700)
At 31 August 2002	<u>52,000</u>	<u>63,158</u>	<u>1,562</u>	<u>257,629</u>	<u>864</u>	<u>375,213</u>

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>31.8.2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.8.2001 (Unaudited) HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	<b>34,424</b>	32,532
NET CASH USED IN INVESTING ACTIVITIES	<b>(59,643)</b>	(47,588)
NET CASH USED IN FINANCING ACTIVITIES	<b>(6,480)</b>	(33,697)
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(31,699)</b>	(48,753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>354,854</b>	280,691
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>2,982</b>	3,589
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b><u>326,137</u></b>	<b><u>235,527</u></b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 August 2002

### 1. Basis of Preparation

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statements of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

### 2. Principal Accounting Policies

The interim financial report has been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 28 February 2002 except as described below.

In the current period, the Group has adopted, for the first time, a number of revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### **Foreign Currencies**

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### **Cash Flow Statements**

In the current period, the Group has adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

## **3. Segment Information**

The Group is principally engaged in the operation of general merchandise stores. No business segment analysis is presented as management considers that the Group has one single business segment. The Group’s operations are located in Hong Kong and PRC, other than Hong Kong.

An analysis of the Group's revenue and results by geographical segment is as follows:

## 2002

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	<u>1,507,087</u>	<u>294,170</u>	<u>1,801,257</u>
SEGMENT RESULT			
Profit from operations	<u>8,267</u>	<u>2,370</u>	<u>10,637</u>

## 2001

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	<u>1,458,377</u>	<u>264,406</u>	<u>1,722,783</u>
SEGMENT RESULT			
Profit from operations	<u>6,820</u>	<u>17,315</u>	<u>24,135</u>

## 4. Other Operating Income

Included in other operating income is the gain on disposal of property, plant and equipment of nil (2001: HK\$5,000).

## 5. Finance Costs

The finance costs represent interest on bank borrowings wholly repayable within five years.

## 6. Taxation

<b>Six months ended</b>	
<b>31.8.2002</b>	31.8.2001
<b>HK\$'000</b>	HK\$'000

The charge comprises:

Current taxation

Hong Kong Profits Tax	<b>4,626</b>	1,100
PRC income tax	<b>6,306</b>	6,618
	<b>10,932</b>	7,718

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

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

## 7. Dividends

On 8 August 2002, a dividend of 9.5 HK cents (2001: 13.0 HK cents) per share amounting to HK\$24,700,000 (2001: HK\$33,800,000) was paid to shareholders as the final dividend for the year ended 28 February 2002.

The Board of Directors had determined that an interim dividend of 2.0 HK cents per share amounting to HK\$5,200,000 should be paid to the shareholders for the six months ended 31 August 2001.

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 31 August 2002.

## 8. Earnings Per Share

The calculation of earnings per share is based on the Group's net profit for the period of HK\$3,563,000 (2001: HK\$15,268,000) and on 260,000,000 (2001: 260,000,000) ordinary shares in issue during the period.

## 9. Property, Plant and Equipment

During the period, the Group spent approximately HK\$60 million (six months ended 31 August 2001: HK\$47 million) on property, plant and equipment to expand its operations.

## 10. Trade Receivables

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

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

	<b>31.8.2002</b>	28.2.2002
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>5,077</b>	3,803
Overdue under 30 days	<b>2,639</b>	145
Overdue over 30 days	<b>2,271</b>	2,109
	<b><u>9,987</u></b>	<u>6,057</u>

## 11. Trade Payables

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

	<b>31.8.2002</b>	28.2.2002
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>429,905</b>	466,312
Overdue under 30 days	<b>14,462</b>	16,302
Overdue over 30 days	<b>28,630</b>	25,955
	<u><b>472,997</b></u>	<u>508,569</u>

## 12. Share Capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.20 each		
Authorised:		
At 31 August 2002 and 28 February 2002	<u>350,000,000</u>	<u>70,000</u>
Issued and fully paid:		
At 31 August 2002 and 28 February 2002	<u>260,000,000</u>	<u>52,000</u>

There were no movements in the share capital for the six months ended 31 August 2002 and for the year ended 28 February 2002.

## 13. Capital Commitments

	<b>31.8.2002</b>	28.2.2002
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>23,176</b>	13,783
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u><b>51,191</b></u>	<u>50,967</u>
	<u><b>74,367</b></u>	<u>64,750</u>
Capital contribution to a subsidiary contracted for but not provided in the financial statements	<u><b>–</b></u>	<u>33,069</u>

## BUSINESS REVIEW

The Group's turnover for the period under review reached HK\$1,801 million, an increase of 4.6% (2001: HK\$1,723 million). This increase in turnover demonstrates the Group's successful market diversification strategies, growing product mix and value pricing. The Group has successfully implemented its operating philosophy, providing value-added products to meet customer needs.

The overall economic conditions in Hong Kong continue to be challenging. The unemployment rate is at a historical high, which has adversely affected consumer confidence. Despite the poor market conditions, Hong Kong sales achieved a 3.3% improvement to HK\$1,507 million (2001: HK\$1,458 million). The six-month operation of the Lok Fu store compared with just two-month operation last year contributed to the improvement in sales. The opening of the Group's flagship "\$10 Plaza" in Causeway Bay also contributed a further source of revenue for the Group.

PRC sales achieved a 11.3% growth to HK\$294 million (2001: HK\$264 million). In May 2002, the Group opened a new store in Dongguan, which contributed to the sales growth. However, China's accession to WTO has increased competition in the PRC retail market, creating a more challenging business environment for the Group.

Faced with the challenging market sentiment during the period, the Group's gross profit margin decreased slightly from 27.8% to 27.3% compared to the same period last year.

Profit attributable to shareholders was HK\$3.6 million for the period under review (2001: HK\$15.3 million). The Group's overall profitability suffered from increases in rental expenditures, pre-operation expenses incurred for new stores and tax expenses.

Staff costs against turnover dropped from last year's 10.5% to this year's 10.3%, while rental costs against turnover recorded a slight increase from 9.4% to 9.7%.

As at 31 August 2002, the Group maintained a healthy financial position with no bank borrowings and net cash balances of over HK\$326 million (28 February 2002: HK\$355 million). The Group will continue to finance its future capital investment mainly by internal resources as well as short term bank borrowings.

Capital expenditure during the period amounted to HK\$60 million (six months ended 31 August 2001: HK\$47 million), which was mainly incurred for the opening of new stores.

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

## **HUMAN RESOURCES**

As at 31 August 2002, the Group employed about 3,100 full-time and 1,900 part-time staff in Hong Kong and PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. It also offers benefits such as professional tuition and training subsidies to staff to enhance their sense of loyalty.

## **PROSPECTS**

### **Hong Kong operations**

The outlook for the retail market sector remains stagnant with the pace of economic recovery being slower than expected. As such, consumer spending is forecasted to remain cautious in the immediate term.

The Group will maintain its strategy to enrich and diversify its product mix, strengthen its promotional campaigns to enhance its competitive edge in the retail industry, and continue its prudent cost controls. The Group will continue to look for suitable locations to open more stores to further enlarge market share in the Hong Kong retail market. It plans to open two to three General Merchandise Stores (“GMS”) within the next three years. In addition, encouraged by the satisfactory results of its “\$10 Plazas”, it is the Group’s strategy to open more “\$10 Plazas” inside and outside JUSCO stores in the near future.

In celebrating its 15th anniversary, the Group plans to launch another large-scale promotional campaign later this year with the grand prizes consisting of travel packages. The Group believes that this promotional campaign will drive momentum, increase customer flows in stores, while also increasing and consolidating the customer loyalty base.

### **PRC operations**

In view of the huge potential in the PRC market, the Group will continue with its brand building strategy in PRC. The Group opened its Shenzhen store in September 2002 and will open its Zhuhai store in December 2002. The Group is confident that the new stores will generate positive contributions in the future. In May and September 2002, the Group entered into agreements with real estate developers to set up new stores in Zhongshan City and Foshan City, PRC. The Group expects the new stores to commence operations in 2003 and 2004 respectively. The Group will continue to explore various prime locations for its new stores aiming to operate at least 50 GMS in Southern China including Hong Kong within the next five years.

## Directors' interests in Shares and Debentures

At 31 August 2002, the interests of the directors and their associates in the share capital and the debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### (a) The Company

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

### (b) AEON Co., Ltd., the Company's ultimate holding company

Name of directors	Number of shares held	
	Personal interests	Family interests
Toshiji TOKIWA	2,000	–
Kazumasa ISHII	7,000	–
Kozo MURATA	3,000	–
Shinobu WASHIZAWA	380	–
Motoya OKADA	201,248	4,371
Akihito TANAKA	6,000	–

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

## (c) Other associated corporations

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

Other than as disclosed above, at 31 August 2002, the register maintained by the Company pursuant to Section 29 of the SDI Ordinance recorded no other interests of the directors or chief executives or their associates in the share capital and debentures of the Company or its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had rights to subscribe for the securities of the Company, or had exercised any such right during the period.

## Substantial Shareholders

At 31 August 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10 per cent. or more in the issued share capital of the Company:

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

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

Other than as disclosed above, the Company has not been notified of any other interests representing 10 per cent. or more in the issued share capital of the Company as at 31 August 2002.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 August 2002, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Compliance with Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 August 2002, in compliance 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.

## **Review of Interim Results**

The unaudited results of the Group for the six months ended 31 August 2002 have been reviewed by the Audit Committee.

By Order of the Board  
**Kazumasa ISHII**  
Managing Director

Hong Kong, 25 October 2002