



吉之島

JUSCO STORES (HONG KONG) CO., LIMITED

吉之島(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

2002/2003 ANNUAL RESULTS



The Board of Directors of JUSCO Stores (Hong Kong) Co., Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group" or "JUSCO") for the year ended 28 February 2003 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 28 February 2003

	Notes	2003 HK\$ '000	2002 HK\$ '000
Turnover		3,961,113	3,720,924
Other operating income		213,529	213,421
Investment income		4,835	5,147
Changes in inventories		(2,882,029)	(2,673,153)
Staff costs		(380,418)	(362,016)
Depreciation		(90,199)	(85,140)
Loss on disposal of property, plant and equipment		(440)	(2,824)
Pre-operating expenses		(14,180)	(4,206)
Impairment loss on property, plant and equipment		-	(12,000)
Other operating expenses		(729,149)	(685,680)
Profit from operations		83,062	114,473
Finance costs		(23)	(125)
Profit from ordinary activities before taxation		83,039	114,348
Income tax expenses	3	(29,718)	(31,931)
Profit before minority interest		53,321	82,417
Minority interest		3,575	(5,459)
Net profit for the year		56,896	76,958
Dividends			
- final		23,400	24,700
- interim		-	5,200
		23,400	29,900
Earnings per share	4	21.88 cents	29.60 cents

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 28 February 2003

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC") other than Hong Kong. Geographical segment information about the business by location and market is presented below.

2003

	Year ended 28 February 2003			Consolidated HK\$ '000
	Hong Kong HK\$ '000	PRC HK\$ '000	Eliminations HK\$ '000	
TURNOVER				
Total revenue	3,224,259	736,854	-	3,961,113
RESULT				
Profit from operations	79,519	3,543	-	83,062
Finance costs	(23)	-	-	(23)
Profit from ordinary activities before taxation	79,496	3,543	-	83,039
Income tax expenses	(19,846)	(9,872)	-	(29,718)
Profit (loss) before minority interest	59,650	(6,329)	-	53,321

2002

	Year ended 28 February 2002			Consolidated HK\$ '000
	Hong Kong HK\$ '000	PRC HK\$ '000	Eliminations HK\$ '000	
TURNOVER				
Total revenue	3,177,714	543,210	-	3,720,924
RESULT				
Profit from operations	78,668	35,805	-	114,473
Finance costs	(125)	-	-	(125)
Profit from ordinary activities before taxation	78,543	35,805	-	114,348
Income tax expenses	(17,100)	(14,831)	-	(31,931)
Profit before minority interest	61,443	20,974	-	82,417

Business segments

No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

3. INCOME TAX EXPENSES

	2003 HK\$ '000	2002 HK\$ '000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	19,745	17,100
Underprovision in previous years	101	-
	19,846	17,100
PRC income tax	9,872	14,831
	29,718	31,931

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

4. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year of HK\$56,896,000 (2002: HK\$76,958,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the year.

DIVIDENDS

The Board of Directors has recommended a final dividend of 9.0 HK cents per share (2002: 9.5 HK cents) to be paid on or before 8 August 2003, subject to shareholders' approval at the forthcoming annual general meeting on 19 June 2003. No interim dividend was declared during the year (2002: 2.0 HK cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 June 2003 to 19 June 2003, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the annual general meeting for 2003 and the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 13 June 2003.

FINANCIAL REVIEW

During the year under review, the total turnover increased to HK\$3,961 million partly because of the Group's expansion in the south China region. However, profit from operations recorded a drop of 27.4% to HK\$83 million while profit attributable to shareholders was recorded at HK\$57 million.

Despite a harsh retail environment in the past year, JUSCO was able to maintain a similar level of gross profit margin at 27.2% (2002: 28.2%) as the Group strove to enhance merchandise mix and product quality while exercise stringent cost control simultaneously.

Staff costs against turnover decreased slightly from 9.7% to 9.6% while rental costs against turnover recorded a small increase from 8.9% to 9.2%.

Owing to the falling interest rates during the year, interest income recorded a slight decrease of 6.7% at HK\$4.3 million this year.

As at the year-end date, the Group maintained a solid financial position with no bank borrowings and cash on hand of over HK\$400 million as compared to HK\$350 million last year.

Capital expenditure during the year amounted to HK\$100 million, which was mainly incurred for the opening of the Dongguan, Shenzhen and Zhuhai Stores in the PRC.

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

BUSINESS REVIEW

Hong Kong Operations

The economic backdrop in 2002 remained a subdued growth scenario. This created a very tough environment for the entire retail industry as the downturns in the stock and property markets, lingering high unemployment rates as well as the prevalent wage freeze and salary cuts had severely depressed consumer confidence. Despite these adverse circumstances, JUSCO was able to maintain stable performance which was backed by its proven business strategies and solid experience in the retail market.

Reviewing last year's performance, the Group's Hong Kong stores recorded a rise of 1.5% in sales to reach HK\$3,224 million. Profit from operations grew 1.1% to HK\$80 million. Faced with the harsh operating environment last year, JUSCO strove to enhance business performance through implementing successful corporate and product branding strategies, further consolidating its position in the local retail industry through expansion in the niche \$10 shop market, launching attractive promotional campaigns as well as actively enlarging its loyal customer scheme through J CARD programme.

With the aim of enhancing its corporate branding, JUSCO has been committed to providing customers with merchandise and a shopping environment which guarantee "safety", "confidence" and "trust". Even though large-scale renovation was not carried out last year, the Group regularly conducted betterments of store layout and improved merchandise display methods to make its GMS setting more customer-friendly. JUSCO's commitment to constantly providing customers with quality service was widely commended. Elected by the Hong Kong citizens, JUSCO won the 13th "Top Service Award" organized by Next Magazine in November 2002 and was chosen as the best service provider in the department store category.

As for its product branding, JUSCO's merchandise has long been recognized as "value-for-money" and the Group's dedication to providing customers with rich merchandise mix at reasonable prices has been continuing. In the past year, over 600 items under its famous in-house brand, "Top Valu", were carried at the Group's GMS in a great variety, which covered food, fashion and household products. Not only were these items well received in the market but they also strengthened JUSCO's product differentiation from its competitors. More importantly, this also helped sharpen the Group's competitiveness and implanted deeply its realization of providing "value-for-money" merchandise in customers' minds.

The lingering weak economic conditions in the review year provided the Group with an opportunity to expand and consolidate its position in the niche \$10 shop market. Last year saw the breakthrough development of its "\$10 Plazas" as the Group opened the first shop outside its GMS. Located at the hot shopping spot in Causeway Bay, JUSCO's flagship "\$10 Plaza" has been attracting heavy customer flows and recording satisfactory sales.

PRC Operations

China's role in the global market will continue to ascend as it has already entered the international economic arena of WTO. With a spectacular GDP growth that outperformed most markets worldwide and the continuously rising living standard of its people, the PRC undoubtedly represents a market with extensive opportunities. In view of this, JUSCO has continued its footsteps to expand in this surging market in the past year.

During the past financial year, the PRC stores recorded a surge in turnover of 35.6%, against last year's HK\$543 million to this year's HK\$737 million. The year had seen the opening of three new GMS in China. Because of this, the Group had to incur an increase in pre-operating expenses which amounted to HK\$14 million. As these new stores were still in the initial investment stage, profit from operations for the PRC stores was lower than last year, recording at HK\$4 million for the year under review. However, the opening of new stores allowed the Group to further strengthen its position in the PRC retail market, which presented JUSCO a strong driver for future growth.

Human Resources

As at 28 February 2003, the Group employed about 3,300 full-time and 2,400 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices in the industry.

PROSPECTS

In Hong Kong, consumption sentiment was dampened by the downgrading economic environment, which was further aggravated by the recent outbreak of Severe Acute Respiratory Syndrome ("SARS") or atypical pneumonia. However, as the reported cases of SARS in Hong Kong are already on a downward trend, the Group expects consumption confidence to gradually pick up. In future, JUSCO will continue to implement a strict hygiene policy to ensure a safe and comfortable shopping environment for its customers as well as a safe and clean working environment for the Group's staff. Despite the aforesaid harsh economic environment, JUSCO has been treating it as a normal situation and devising suitable strategies to further consolidate its market position.

The spread of the rampant atypical pneumonia also affected most of the south China region, which severely deterred tourists from visiting the country. It is beyond estimation as to how long the outbreak will be under control. However, JUSCO's management is optimistic about the booming economic growth of China in the long run, which in turn presents the Group with great opportunities in future.

To strengthen JUSCO's product branding strategy, a China Sourcing Team has been set up to identify appropriate manufacturers in the PRC for the production of food, houseware and fashion items based on JUSCO's specific requirements. In future, the China Sourcing Team will dedicate to developing JUSCO's in-house brands, which allows the Group to better control merchandise cost and quality on one hand and enjoy higher margins on the other.

Hong Kong Operations

Given the present economic conditions, Hong Kong consumers will continue to rely on JUSCO's ability to provide them with a broad range of daily necessities and quality products at bargain prices. Besides, the maintenance of hygiene and quality control will be given paramount concern as it is crucial to live up to the Group's promise of ensuring an ideal shopping environment for its customers.

The aforesaid unfavorable situation undoubtedly presents the Group with the opportunity to further expand in the \$10 shop market. In future, JUSCO will continue to pursue an aggressive strategy of setting up "\$10 Plazas" outside GMS. Targeted locations will be highly populated commercial or residential areas along major mass transportation networks.

PRC Operations

In view of the PRC's great development potential, the Group's continuous expansion is moving in the right direction. However, there exist certain factors which will affect its expansion tempo, which include the

intensity of competitions, prevalent market conditions as well as the availability of suitable locations to open new stores. As such, the Group will adopt a prudent approach to regularly monitor and review its pace of development.

2003 and 2004 will see the opening of two new GMS in Zhongshan and Foshan, aiming to bring one-stop shopping convenience to customers in the PRC. In the long run, the Group aims at establishing its JUSCO brand name in the PRC through developing chain-store operation. This will in turn lead to the achievement of economies of scale in logistics and merchandise sourcing. It is expected that the time required for the new GMS to break-even is around 12 months. However, the Group will keep on conducting market research and store supervision to regularly change its store layout, merchandise mix, and product assortment presentation so as to better suit the changing tastes and real needs of local customers as well as bringing returns to the Group.

Backed by its strong financial foundations, JUSCO is well-positioned to further consolidate its foothold in the PRC retail market.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, 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 year ended 28 February 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange") will be subsequently published on the Exchange's website in due course.

By Order of the Board
Kazumasa ISHII
Managing Director

Hong Kong, 16 May 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Jusco Stores (Hong Kong) Co., Limited (the "Company") will be held at Granville Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 19 June 2003 at 9:00 a.m. for the following purposes:

- To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 28 February 2003.
- To declare a final dividend for the year ended 28 February 2003.
- To re-elect Directors and authorise the Board of Directors to fix their remuneration.
- To re-appoint Auditors and authorise the Directors to fix their remuneration.
- To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as special and/or ordinary resolutions of the Company (as the case may be):

SPECIAL RESOLUTIONS

- "**THAT** subject to the approval of the Registrar of Companies, the name of the Company be changed to "AEON Stores (Hong Kong) Co., Limited 永旺 (香港) 百貨有限公司" with effect from the issuance of the relevant Certificate of Incorporation on Change of Name."
- "**THAT** subject to the passing of the Special Resolution 5(A) set out in the notice convening this meeting, the Memorandum of Association of the Company be and is hereby amended by deleting the First clause in its entirety and substituting therefor the following clause:
FIRST: The name of the Company is "AEON Stores (Hong Kong) Co., Limited 永旺 (香港) 百貨有限公司."
- "**THAT** all references to "Hong Kong" throughout the Memorandum of Association of the Company and the Articles of Association of the Company be replaced and substituted as "the Hong Kong Special Administrative Region"."
- "**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:
 - by adding the following definition in Article 2 before the definition of "the register"
"recognised clearing house" shall mean a company recognised as a clearing house under Section 37(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
 - by deleting Article 38 in its entirety and substituting therefor the following paragraph:
38. All transfers of shares may be effected by transfer in writing in the usual common form or in such other form as the Board may accept or may be under hand only or, if the transferor or transferee is a recognised clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. All instruments of transfer must be left at the registered office of the Company or at such other place as the Board may appoint and may be retained by the Company.
 - by deleting Article 82 in its entirety and substituting therefor the following paragraph:
82. (A) Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and references in the Articles to a member present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a member represented by such duly authorised representative.
(B) Where a member of the Company is a recognised clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the recognised clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands."

ORDINARY RESOLUTIONS

- "**THAT**
 - subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such power be and is hereby generally and unconditionally approved;
 - the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to issue or grant offers, agreements, options and warrants which will or might require the exercise of any of such power after the end of the Relevant Period;
 - 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 a Rights Issue, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
 - for the purpose of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
 - the date of 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 or offer or issue of warrants or options to subscribe for Shares open for a period fixed by the Directors of the Company to holders of Shares on the Register of Members of the Company or any class thereof on a fixed record date in proportion to their then holdings of such Shares or class thereof (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).

"Shares" means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company."

(F) "THAT

- subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which any Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution:

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

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or by law to be held; or
- the date of 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.

"Shares" means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company."

- "**THAT** conditional upon the passing of the Ordinary Resolutions 5(E) and 5(F) set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such powers pursuant to the Ordinary Resolution 5(E) 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 the Ordinary Resolution 5(F) set out in the notice convening this meeting, provided that such amount of Shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution."

By Order of the Board
Heng Kwoo Seng
Company Secretary

Hong Kong, 16 May 2003

Registered Office:
G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Notes:

- A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof.
- The Register of Members of the Company will be closed from Monday, 16 June 2003 to Thursday, 19 June 2003 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for attending and voting at the annual general meeting and the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 13 June 2003.
- Further information relating to the proposed change of name and amendments to the Memorandum and Articles of Association of the Company will be provided in a circular of the Company to be sent to all members together with the Annual Report for the year ended 28 February 2003.
- With reference to the Ordinary Resolutions 5(E) and 5(F) above, the Directors of the Company wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares pursuant to the relevant mandates.
- An explanatory statement containing further details regarding the Ordinary Resolutions 5(E) and 5(F) above will be sent to all members together with the Annual Report for the year ended 28 February 2003.
- If approved, the proposed final dividend will be payable on or before Friday, 8 August 2003.