



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 INTERIM RESULTS

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 | | 1,801,257 | 1,722,783 |
| Other operating income | | 99,303 | 98,714 |
| Changes in inventories | | (1,309,133) | (1,243,926) |
| Staff costs | | (185,619) | (181,696) |
| Depreciation | | (43,384) | (40,165) |
| Other operating expenses | | (351,787) | (331,575) |
| Profit from operations | | 10,637 | 24,135 |
| Finance costs | | (9) | (93) |
| Investment income | | 2,397 | 2,827 |
| Profit from operating activities before taxation | | 13,025 | 26,869 |
| Taxation | 3 | (10,932) | (7,718) |
| Profit before minority interest | | 2,093 | 19,151 |
| Minority interest | | 1,470 | (3,883) |
| Net profit for the period | | 3,563 | 15,268 |
| Dividends proposed | | - | 5,200 |
| Earnings per share | 4 | 1.37 cents | 5.87 cents |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2002

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted, for the first time, a number of revised Statements of Standard Accounting Practice (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.

2. 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 the People's Republic of China ("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 | 1,507,087 | 294,170 | 1,801,257 |
| SEGMENT RESULT | | | |
| Profit from operations | 8,267 | 2,370 | 10,637 |
| | 2001 | | |
| | Hong Kong HK\$'000 | PRC HK\$'000 | Consolidated HK\$'000 |
| TURNOVER | 1,458,377 | 264,406 | 1,722,783 |
| SEGMENT RESULT | | | |
| Profit from operations | 6,820 | 17,315 | 24,135 |

3. TAXATION

| | Six months ended | |
|-----------------------|-----------------------|-----------------------|
| | 31.8.2002 HK\$'000 | 31.8.2001 HK\$'000 |
| The charge comprises: | | |
| Current taxation | | |
| Hong Kong Profits Tax | 4,626 | 1,100 |
| PRC income tax | 6,306 | 6,618 |
| | 10,932 | 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.

4. 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.

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 does not recommend the payment of any interim dividend for the six months ended 31 August 2002 (2001: 2.0 HK cents).

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 (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.

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 Listing Rules.

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.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Kazumasa ISHII
Managing Director

Hong Kong, 25 October 2002