



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)

2001/2002 ANNUAL RESULTS



The Board of Directors of JUSCO Stores (Hong Kong) Co., Limited ("JUSCO" or the "Company") is pleased to announce the audited results of the Company and its subsidiary (the "Group") for the year ended 28 February 2002 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 28 February 2002

Notes	2002 HK\$'000	2001 HK\$'000
Turnover	3,720,924	3,394,484
Other revenue	213,421	201,728
Changes in inventories	(2,673,153)	(2,450,489)
Staff costs	(362,016)	(333,139)
Depreciation	(85,140)	(82,095)
Loss on disposal of property, plant and equipment	(2,824)	(10,242)
Pre-operating expenses	(4,206)	(461)
Impairment loss on property, plant and equipment	(12,000)	-
Other operating expenses	(685,680)	(622,344)
Profit from operations	109,326	97,442
Finance costs	(125)	(1,213)
Investment income	5,147	5,273
Profit from ordinary activities before taxation	114,348	101,502
Income tax expenses	3 (31,931)	(2,105)
Profit before minority interest	82,417	99,397
Minority interest	(5,459)	(7,161)
Net profit for the year	76,958	92,236
Dividends		
- final dividend	24,700	33,800
- interim dividend	5,200	2,600
	29,900	36,400
Earnings per share	4 29.60cents	35.48cents

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 28 February 2002

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants for the first time. Adoption of these Standards has led to a number of changes in the Group's accounting policies. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of the new and revised Standards described above has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividend proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been adjusted retrospectively, resulting in an increase of shareholders' fund at 1 March 2000 by HK\$10,400,000.

Segment reporting

In the current year, the Group has adopted SSAP 26 "Segment reporting". Disclosures for the Group's segment information have been modified so as to meet the requirements of SSAP 26.

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 is presented below.

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	75,195	34,131	-	109,326
Finance cost	(125)	-	-	(125)
Investment income	3,473	1,674	-	5,147
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

2001

	Year ended 28 February 2001			Consolidated HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	
TURNOVER				
Total revenue	2,919,709	474,775	-	3,394,484
RESULT				
Profit from operations	63,372	34,070	-	97,442
Finance costs	(975)	(238)	-	(1,213)
Investment income	4,377	896	-	5,273
Profit from ordinary activities before taxation	66,774	34,728	-	101,502
Income tax credit (expenses)	11,468	(13,573)	-	(2,105)
Profit before minority interest	78,242	21,155	-	99,397

Business segments

There was no analysis by principal activities because the Group has only one business.

3. INCOME TAX EXPENSES

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	17,100	5,000
Overprovision in previous years	-	(6,768)
	17,100	(1,768)
PRC income tax	14,831	13,573
Deferred taxation	-	(9,700)
	31,931	2,105

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

4. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year of HK\$76,958,000 (2001: HK\$92,236,000) and on 260,000,000 (2001: 260,000,000) ordinary shares in issue during the year.

DIVIDENDS

The Board of Directors has recommended a final dividend of 9.5 HK cents (2001: 13.0 HK cents) per share to be paid on or before 8 August 2002, subject to shareholders' approval at the forthcoming annual general meeting to be held on 20 June 2002. The total dividend for the year will be 11.5 HK cents (2001: 14.0 HK cents) per share as there was 2.0 HK cents interim dividend payment during the year (2001: 1.0 HK cent).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 June 2002 to 20 June 2002, 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 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on 14 June 2002.

FINANCIAL REVIEW

In spite of the stagnant retail market, the Group's turnover increased 9.6% to HK\$3,721 million in the review year. Profit from operations also recorded a growth of 12.2% from last year's figure of HK\$97 million to this year's figure of HK\$109 million. This is partly attributable to the rise in the Group's gross profit margins from 27.8% last year to 28.2% this year. The Group's proven strategy of sourcing a wide range of quality goods at low costs was one of the reasons for the increase in gross profit margins during the year.

However, during the review year, the Group recorded a drop in net profit of 16.6% to HK\$77 million. This is because income tax expenses increased significantly to HK\$32 million compared with HK\$2 million last year. This was due to a write back in deferred taxation and over-provision for profits tax totaling HK\$16 million last year.

Staff costs against turnover dropped from last year's 9.8% to this year's 9.7% while rental costs against turnover recorded a slight increase from 8.5% to 8.9% because of the Kornhill Store has enjoyed certain months of free rent during its renovation in 2000 and some of the lease agreements have been renewed during the year under review.

Owing to the interest rate cuts during the past financial year, interest income saw a small drop of 4% to reach HK\$4.6 million this year. Interest expenses fell to the relatively insignificant amount of HK\$125,000 as compared to HK\$1.2 million in the previous year.

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

Capital expenditure during the year amounted to HK\$76 million, which was mainly incurred for the renovation of the Lok Fu Store in Hong Kong and the opening of the Dongguan Store in the PRC.

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

BUSINESS REVIEW

Hong Kong Operations

2001 was a year of daunting challenges for Hong Kong's retail sector. The operating environment remained difficult as the local economy continued to suffer sluggish growth brought about by the downturns in the stock and property markets, prevalent salary cuts and mounting unemployment rates. All these depressing factors in turn led to consumers' reluctance to spend. In spite of these adverse circumstances, JUSCO continued to thrive with the support of its successful business strategies and solid experience in the retail market.

Reviewing last year's performance, the Hong Kong stores succeeded in recording a rise in sales of 8.8% to HK\$3,178 million. Profit from operations also recorded an impressive growth of 18.7% to reach HK\$75 million because of effective cost control and the rise in gross profit margin. Compared with the previous financial year whereby the Kornhill Store was closed for four months for renovation, the review year saw the 12-month operation of the Store, which made full contributions to the Group all the year round. During the year, the Lok Fu Store also underwent renovation and expansion. Different departments were re-arranged and re-structured to give our customers a fresh shopping experience and a more comfortable shopping environment. Besides, the Store's supermarket almost doubled its size to 16,000 sq.ft. With more fresh food, produce and Japanese merchandise introduced, it succeeded in attracting higher customer flows, thus enhancing the sales performance of the Store.

PRC Operations

Having gained entry into WTO, the PRC will play an increasingly important role in the global economy. With spectacular GDP growth of over 7% last year and the continuously rising living standard of its people, the PRC presents a market with tremendous opportunities. In view of this, the Group has increasingly focused on developing this market to strengthen its foothold in the retail industry.

Currently, the concept of General Merchandise Stores ("GMS") is still not very common in the PRC. As a pioneer in establishing GMS in the PRC, JUSCO has already created a successful niche market. During the year under review, the two PRC stores recorded a surge in turnover of 14.4%, against last year's HK\$475 million to HK\$543 million. The China Plaza Store enjoyed full-year operations as compared to its nine month operations in the previous financial year, leading to the contribution of year-round sales incomes. Profit from operations at HK\$34 million was slightly higher than the previous year, however improved results from increased sales were offset by the increase in overhead operating costs.

The past financial year also saw JUSCO's signing of an agreement with Shenzhen Centralcon The City Plaza Co. Ltd and Shenzhen Modern Friendship Co., Ltd to set up a joint venture in Shenzhen. The Company will finance its share of the capital contribution of HK\$33 million from internal resource and

short term bank borrowings. Apart from this new store which is targeted to commence operations in the third quarter of 2002, the Group opened Dongguan Store on 8 May 2002 and will also open one more GMS at Zhuhai by the end of 2002. These strategic moves will allow the Group to further strengthen its position in the PRC retail market and to present a strong driver for the Group's future growth.

#### HUMAN RESOURCES

As at 28 February 2002, the Group employed about 2,600 full-time and 1,700 part-time staff in Hong Kong and the 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

Although Hong Kong's economy has yet to fully recover, with JUSCO's established market position and its proven business strategies, the Group is well prepared to take off once the retail industry rebounds. On the other hand, the booming economic growth in the PRC presents the very bright prospects for its future expansion. Though the management still remains cautiously optimistic about the retail market, the Group is well positioned to grasp the opportunities ahead.

#### Hong Kong Operations

Given the present economic situation with falling disposable income and lower purchasing power, Hong Kong consumers expect JUSCO to provide a broad range of daily necessities and quality products at bargain prices. The weak economic conditions actually provide the Group with a golden opportunity to expand and consolidate its position in its niche market – the "\$10 Plazas". Last year, three "\$10 Plazas" were opened in its GMS. Leveraging the successful experience of the existing "\$10 Plazas", it opened one "\$10 Plaza" in March 2002 and the Group will open one more "\$10 Plaza" in May 2002 inside its stores. Apart from this, the Group is now adopting a more aggressive strategy of setting up "\$10 Plazas" at other favourable locations with high customer flows. Its first "\$10 Plaza" outside JUSCO's GMS will therefore commence operations in June 2002.

In addition, the Group will continue to look for suitable locations to open more GMS to further enlarge its market share in the local retail market. The Group plans to open two to three GMS within three years.

#### PRC Operations

In view of PRC's great development potential, JUSCO will increase its tempo and power to expand its retail market. In the next five years, the Group targets to open at least 10 GMS in Southern China and is devoting

tremendous effort to establishing its JUSCO brand in the PRC. The Group opened Dongguan store on 8 May 2002 and two more GMS at Shenzhen and Zhuhai will be opened in the year 2002. The Group will continue to further propel its unique GMS concept, aiming to bring one-stop shopping convenience to its customers. Total investment costs of these three GMS amounted to HK\$112 million which will be financed by internal resources mainly as well as short term bank borrowings. With solid financial foundations, JUSCO is well-positioned to further strengthen its foothold and targets to become one of the market leaders in the PRC retail industry.

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

During the year, neither the Company nor its subsidiary 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 2002, 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.

#### RESIGNATION OF DIRECTOR AND CHANGE OF MANAGING DIRECTOR

Mr. Sozaburo Yamazaki ("Mr. Yamazaki") has resigned as an Executive Director and the Managing Director of the Company on 10 May 2002.

Mr. Kazumasa Ishii, an Executive Director, has been appointed the Managing Director of the Company in place of Mr. Yamazaki with effect from 10 May 2002.

The Board of Directors wishes to express their sincere gratitude to Mr. Yamazaki for his services and contributions to the Company during the tenure of his office.

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

Hong Kong, 10 May 2002

## 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 Island Ballroom A, Island Shangri-La Hong Kong, 2 Pacific Place, Supreme Court Road, Hong Kong, on Thursday, 20 June 2002 at 9:00 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 28 February 2002.
2. To declare a final dividend for the year ended 28 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 Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

#### A. "THAT

- (a) 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;
- (b) 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;
- (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 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
- (d) for the purpose 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 the Articles of Association of the Company or by law to be held; or
- (iii) 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."

#### B. "THAT

- (a) 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;

- (b) 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 of this Resolution and the said approval shall be limited accordingly; and

- (c) for the purpose 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 the Articles of Association of the Company or by law to be held; or
- (iii) 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."

- C. "THAT conditional upon the passing of the resolutions set out in paragraph 5A and paragraph 5B of 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 resolution set out in paragraph 5A of 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 resolution set out in paragraph 5B of 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."

- D. "THAT the Directors of the Company be authorised to remunerate (whether by way of commissions or otherwise) Aeon Credit Service (Asia) Company Limited ("Aeon") in respect of credit purchase and other facilities provided by Aeon to the Group's customers at such rates and on such terms as the Directors of the Company may from time to time approve provided that the maximum annual aggregate amount of such remuneration paid by the Company to Aeon in respect of such transactions in each financial year shall not exceed 1.5% of the audited consolidated turnover of the Group in that financial year."

By Order of the Board  
**Heng Kwoo Seng**  
Company Secretary

Hong Kong, 10 May 2002

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

#### Notes:

- (1) A member entitled to attend and vote at the annual general meeting convened by the above notice 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, 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof.
- (3) The Register of Members of the Company will be closed from Monday, 17 June 2002 to Thursday, 20 June 2002 (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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Friday, 14 June 2002.
- (4) With reference to the resolutions set out in paragraph 5A and paragraph 5B 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.
- (5) An explanatory statement containing further details regarding the resolutions set out in paragraph 5A and paragraph 5B above will be sent to all members together with the Annual Report for the year ended 28 February 2002.
- (6) Aeon Co., Ltd. and Aeon Credit Service (Asia) Company Limited ("Aeon") and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting on the resolution set out in paragraph 5D above. Further information relating to the connected transactions with Aeon 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 2002.
- (7) If approved, the proposed final dividend will be payable on or before Thursday, 8 August 2002.