

The Board of Directors of AEON Stores (Hong Kong) Co., Limited (the "Company") (previously known as JUSCO Stores (Hong Kong) Co., Limited) is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group"/"AEON Stores") for the six months ended 31 August 2003 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	Six months ended	
		31.8.2003 HK\$'000 (unaudited)	31.8.2002 HK\$'000 (unaudited and restated)
Turnover		2,085,478	1,801,257
Other operating income		101,233	99,303
Investment income		2,041	2,397
Changes in inventories		(1,549,502)	(1,309,133)
Staff costs		(198,512)	(185,619)
Depreciation		(51,256)	(43,384)
Loss on disposal of property, plant and equipment		(11)	(404)
Other operating expenses		(380,832)	(351,383)
Profit from operations		8,639	13,034
Finance costs	4	(13)	(9)
Profit from operating activities before taxation		8,626	13,025
Income tax	5	(8,525)	(9,671)
Profit before minority interest		101	3,354
Minority interest		5,752	1,470
Net profit for the period		5,853	4,824
Interim dividend	6	2,600	–
Earnings per share	7	2.25 cents	1.86 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 AUGUST 2003

	NOTES	31.8.2003 HK\$'000 (unaudited)	28.2.2003 HK\$'000 (audited) and restated)
Non-current Assets			
Property, plant and equipment	8	401,078	407,978
Investment securities		3,936	3,936
Deferred taxation		9,528	9,846
		414,542	421,760
Current Assets			
Inventories		324,876	328,485
Trade receivables	9	14,179	5,530
Other receivables, prepayments and deposits		99,550	125,588
Amounts due from fellow subsidiaries		26,478	14,304
Bank balances and cash		550,573	409,431
		1,015,656	883,338
Current Liabilities			
Trade payables	10	675,624	577,857
Other payables and accrued charges		239,189	205,058
Amounts due to fellow subsidiaries		8,646	8,819
Amount due to ultimate holding company		42,898	27,921
Obligations under a finance lease		201	200
Taxation		11,171	9,599
Dividend payable		171	97
		977,900	829,551
Net Current Assets		37,756	53,787
		452,298	475,547
Capital and Reserves			
Share capital	11	52,000	52,000
Share premium and reserves		367,033	384,492
		419,033	436,492
Minority Interest		32,797	38,504
Non-current Liabilities			
Obligations under a finance lease		468	551
		452,298	475,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2003

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	The People's Republic of China ("PRC") statutory reserves HK\$'000	Retained profits HK\$'000 (restated)	Total HK\$'000
At 1 March 2002						
- as originally stated	52,000	63,158	49	864	278,766	394,837
- adjustment on adoption of SSAP12 (Revised)	-	-	-	-	5,401	5,401
	52,000	63,158	49	864	284,167	400,238
Exchange differences arising on translation of overseas operations not recognised in the income statement	-	-	1,513	-	-	1,513
Net profit for the period	-	-	-	-	4,824	4,824
Dividend paid	-	-	-	-	(24,700)	(24,700)
At 31 August 2002	52,000	63,158	1,562	864	264,291	381,875
Exchange differences arising on translation of overseas operations not recognised in the income statement	-	-	(1,900)	-	-	(1,900)
Net profit for the period	-	-	-	-	56,517	56,517
Transfer, net of minority interest's share	-	-	-	964	(964)	-
At 28 February 2003	52,000	63,158	(338)	1,828	319,844	436,492
Exchange differences arising on translation of overseas operations not recognised in the income statement	-	-	88	-	-	88
Net profit for the period	-	-	-	-	5,853	5,853
Dividend paid	-	-	-	-	(23,400)	(23,400)
At 31 August 2003	52,000	63,158	(250)	1,828	302,297	419,033

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2003

	Six months ended	
	31.8.2003	31.8.2002
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	207,594	34,424
NET CASH USED IN INVESTING ACTIVITIES	(43,209)	(59,643)
NET CASH USED IN FINANCING ACTIVITIES	(23,410)	(6,480)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,975	(31,699)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	409,431	354,854
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	167	2,982
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY Bank balances and cash	550,573	326,137

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2003

1. BASIS OF PREPARATION

The condensed financial statements have 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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 28 February 2003 except that the Group had adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003.

Income taxes

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the interim financial report and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the opening balance on retained profits at 1 March 2003 has been increased by HK\$9,846,000 (1 March 2002: HK\$5,401,000). The profit for the six months ended 31 August 2003 has been decreased by HK\$318,000 (31 August 2002: increased by HK\$1,261,000).

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 the PRC, other than Hong Kong.

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

2003

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	1,602,085	483,393	2,085,478
SEGMENT RESULT			
Profit (loss) from operations	21,677	(13,038)	8,639
Finance costs	(13)	-	(13)
Profit (loss) from ordinary activities before taxation	21,664	(13,038)	8,626
Income tax	(8,583)	58	(8,525)
Profit (loss) before minority interest	13,081	(12,980)	101

2002 (Restated)

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	1,507,087	294,170	1,801,257
SEGMENT RESULT			
Profit from operations	9,991	3,043	13,034
Finance costs	(9)	-	(9)
Profit from ordinary activities before taxation	9,982	3,043	13,025
Income tax	(3,365)	(6,306)	(9,671)
Profit (loss) before minority interest	6,617	(3,263)	3,354

4. FINANCE COSTS

The finance costs represent interest on bank overdraft.

5. INCOME TAX

	Six months ended	
	31.8.2003	31.8.2002
	HK\$'000	HK\$'000 (restated)
Current tax:		
Hong Kong Profits Tax	8,265	4,626
PRC income tax	863	6,306
Overprovision of PRC income tax in previous periods	(921)	–
	8,207	10,932
Deferred tax in Hong Kong:		
Current period	1,241	(1,261)
Attributable to change in tax rate in Hong Kong	(923)	–
	318	(1,261)
	8,525	9,671

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the six months ended 31 August 2003.

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

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 August 2003.

6. DIVIDENDS

On 19 June 2003, a dividend of 9.0 HK cents (2002: 9.5 HK cents) per share amounting to HK\$23,400,000 (2002: HK\$24,700,000) was paid to shareholders as the final dividend for the year ended 28 February 2003.

The Board of Directors has declared that an interim dividend of 1.0 HK cent (2002: Nil) per share amounting to HK\$2,600,000 (2002: Nil) be paid to the shareholders of the Company.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the period of HK\$5,853,000 (2002: HK\$4,824,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$44 million (six months ended 31 August 2002: HK\$60 million) on property, plant and equipment to expand its operations.

9. 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:

	31.8.2003	28.2.2003
	HK\$'000	HK\$'000
Within due dates	13,750	3,885
Overdue under 30 days	63	985
Overdue over 30 days	366	660
	14,179	5,530

10. TRADE PAYABLES

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

	31.8.2003	28.2.2003
	HK\$'000	HK\$'000
Within due dates	618,339	526,964
Overdue under 30 days	29,738	22,737
Overdue over 30 days	27,547	28,156
	675,624	577,857

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 31 August 2003 and 28 February 2003	350,000,000	70,000
Issued and fully paid:		
At 31 August 2003 and 28 February 2003	260,000,000	52,000

12. CAPITAL COMMITMENTS

	31.8.2003 HK\$'000	28.2.2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	5,060	2,662

INTERIM DIVIDEND

The Board of Directors has declared that an interim dividend of 1.0 HK cent (2002: Nil) per share amounting to HK\$2,600,000 (2002: Nil) be paid to the shareholders of the Company whose names appear on the Register of Members of the Company on 28 November 2003. The interim dividend will be paid on or before 8 December 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 November 2003 to 28 November 2003 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the interim 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 25 November 2003.

BUSINESS REVIEW

The retail industry has gone through a challenging time during the first half of 2003. The outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the Iraqi war led to an adverse impact both on business activities and economic growth, regionally and globally. The persistent high unemployment rate in Hong Kong further depressed market sentiment and affected retail consumption.

Despite the negative impact on the retail industry in Hong Kong and the PRC, the Group managed an increase in both turnover and profit for the six months ended 31 August 2003. During the review period, turnover recorded a growth of 15.8% to HK\$2,085 million when compared with the HK\$1,801 million recorded in the corresponding period in the previous year. Profit attributable to shareholders reached HK\$5.9 million, representing an increase of 21.3%. The encouraging results were mainly attributable to the Group's successful operating strategies which provide value-for-money products at reasonable prices and quality services. The Group's diversified merchandise mix and effective cost measures were additional critical factors contributing to these satisfactory results.

During the period under review, the Group's gross profit margin decreased slightly from 27.3% to 25.7%. This was due to the change in the sales mix as the Group geared up growth in the food sector. During the SARS epidemic, the entire retail industry was under serious attack as consumption patterns radically changed. Concerned about their health, people stayed and ate at home. Being a caring company, the Group made prompt adjustments to respond to customer needs. More resources were put into the food sector, providing diversified food categories to satisfy customers taste and requirements. To reassure customers, AEON Stores also implemented a strict hygiene policy, providing a safe and comfortable shopping environment where customers are able to purchase all their daily necessities including food under one roof. The prompt replenishment and steady supply of personal and home cleaning products at reasonable prices also guaranteed valued customers of the best protection. Therefore, SARS had little impact on the Group's daily operations and business performance. Among the various departments, the food section recorded significant growth and outperformed other sections during the review period.

For the six months ended 31 August 2003, sales in Hong Kong recorded a 6.3% increase to HK\$1,602 million. The Group's well-established leadership position also contributed to its success during this difficult period. Profit from operations recorded at HK\$21.7 million, an increase of 117%. The increase was attributable to the excellent sales performance as well as the successful rent deductions, which came into effect at certain stores during the period.

The Group opened its second "\$10 Plaza" outside our General Merchandise Stores ("GMS") in Kowloon in August, proving the tremendous success of the "\$10 Plaza" concept with the introduction of mainly quality Japanese and overseas imported goods at bargain prices in popular shopping areas which attract high customer flows.

Apart from its Hong Kong operations, the operations in the PRC also reported growth in sales of 64.3%. The increased in sales was attributable to the operation of 6 GMS in South China as compared to only 3 GMS in the same period last year. However, the operating results recorded a loss of HK\$13 million as our new stores were still in an initial investment stage as well as our Teem Plaza Store was partially closed for three months for renovation. The management believes that the opening of more GMS will further boost sales on the one hand and allow the Group to enjoy economies of scale on the other in the long term. The Group's position in the PRC retail market will then be strengthened, presenting a strong driver for future growth.

In July 2003, the Group changed its English name to "AEON Stores (Hong Kong) Co., Limited" and Chinese name to "永旺(香港)百貨有限公司", which carries the "AEON" brand in line with other subsidiaries under the AEON Group's umbrella. Moreover, the new image will help to gain immediate publicity and corporate recognition for the giant Japanese retail group. The Group's retailing business continues to be carried out under "JUSCO" as it has established such a strong foothold in the retail industry.

The Group has always been committed to building its own brand of products, unique and quality products at reasonable prices, introducing these products regularly to satisfy ever-increasing customer demand. Over 600 items under its well-received in-house brand, "TOPVALU", were on offer during the review period. The Group is also committed to procuring specific products to fulfill the Group's stringent standards, and source comparatively lower price products for the Group, further enhancing its competitive strengths.

The Group maintained a strong and healthy financial position with no bank borrowings and a net cash balance of HK\$551 million (28 February 2003: HK\$409 million) as at 31 August 2003.

The management believes that adopting prudent financial measures will enable it to enhance its competitiveness and catch opportunities as they arise. Apart from strengthening its revenue streams, the Group is committed to reducing its overheads. During the review period, the Group obtained rental reductions from the Housing Authority in Hong Kong. Further negotiations have also been carried out with other landlords.

Staff costs against turnover dropped from 10.3% to 9.5% while rental costs against turnover also fell from 9.7% to 8.8%. Capital expenditure during the period amounted to HK\$44 million (2002: HK\$60 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 in foreign currencies.

PROSPECTS

Hong Kong Operations

The Group has built solid foundations in the Hong Kong market with 8 GMS and 2 “\$10 Plaza” outside GMS spread across major residential areas with high customer flows. Looking ahead, the Group is currently seeking suitable locations to open more GMS to further enlarge its market share in the retail industry in Hong Kong.

Apart from its GMS operations, the satisfactory results of the niche “\$10 Plaza” offer expansion opportunities for the Group to open additional “\$10 Plaza” both inside its GMS and in other favourable locations outside existing stores to provide superior and trendy products to valued customer. The Group aims to open a new “\$10 Plaza” in Yuen Long in the second half of the year.

To maintain its leading position, the Group is committed to enriching and diversifying its product mix, while also strengthening its promotional campaigns to enhance its competitive edge among industry players. Additional promotional campaigns will be created to drive momentum, attract and retain its loyal customer base.

Overall market sentiment has improved especially after the relaxation of the travel restriction to mainland travelers and the announcement of the Closer Economic Partnership Arrangement ("CEPA"), even though the Group does not directly benefit from this arrangement. However, the pick up of the general economy will benefit the Group as a whole.

PRC Operations

With regard to the enormous growth and booming opportunities in the PRC, the Group will undertake a prudent approach to closely monitor the operations of its existing GMS and review its expansion pace in the region. The Group plans to set up an additional GMS in Shenzhen in view of the growth potential in this rapidly developing PRC city. This second GMS in Shenzhen is expected to commence operations by the end of 2004. As mentioned before, the Foshan Store will open in mid 2004, bringing a new shopping experience to Foshan citizens. The Group expects to maximize its economies of scale in the long term, ultimately benefiting the Group's returns.

HUMAN RESOURCES

As at 31 August 2003, the Group employed 3,300 full-time and 2,500 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 personal development while fostering a sense of loyalty.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31 August 2003, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) The Company

Name of directors	Number of ordinary shares held as personal interests	Percentage of the issued share capital of the Company %
Kazumasa ISHII	80,000	0.031
Kozo MURATA	8,000	0.003
WONG Mun Yu	18,000	0.007
LAM Man Tin	50,000	0.019
Motoya OKADA	100,000	0.038
Tatsuichi YAMAGUCHI	100,000	0.038
SHAO You Bao	200,000	0.077
LAM Pei Peggy	200,000	0.077
	756,000	0.290

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

Name of directors	Number of shares held			Percentage of interest %
	Personal interests	Family interests	Total	
Toshiji TOKIWA	2,000	–	2,000	0.0006%
Kazumasa ISHII	7,000	–	7,000	0.0021%
Kozo MURATA	3,000	–	3,000	0.0009%
Motoya OKADA (Note)	201,248	4,371	205,619	0.0617%
Tatsuichi YAMAGUCHI	11,000	–	11,000	0.0033%
	224,248	4,371	228,619	0.0686%

Note:

The family interest of Mr. Motoya OKADA is held by his spouse. In addition, 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

	Toshiji		Kozo		Motoya		SHAO	
	TOKIWA		MURATA		OKADA		You Bao	
	Number of shares	Percentage of interest	Number of shares	Percentage of interest	Number of shares	Percentage of interest	Number of shares	Percentage of interest
		%		%		%		%
AEON Credit Service (Asia)								
Company Limited	-	-	-	-	110,000	0.026	330,000	0.079
AEON Fantasy Co., Ltd.	-	-	-	-	22,000	0.211	-	-
AEON Forest Co., Ltd.	-	-	-	-	3,000	0.037	-	-
AEON Mall Co., Ltd.	-	-	-	-	1,200	0.004	-	-
AEON Techno Service Co., Ltd.	-	-	-	-	5	0.000	-	-
AEON Thana Sinsap (Thailand) Plc.	100,000	0.926	-	-	300,000	0.600	-	-
Certo Co., Ltd.	-	-	-	-	2	0.033	-	-
Jaya JUSCO Stores Bhd.	-	-	-	-	75,000	0.085	-	-
Kyushu JUSCO Co., Ltd.	-	-	-	-	2,400	0.002	-	-
Laura Ashley Japan Co., Ltd.	-	-	1	0.012	10	0.119	-	-
Maxvalu Tohoku Co., Ltd.	-	-	-	-	6,000	0.050	-	-
Reform Studio Co., Ltd.	-	-	-	-	5	0.208	-	-
Ryukyu JUSCO Co., Ltd.	-	-	-	-	500	0.089	-	-
Taiwan JUSCO Co., Ltd.	1	0.000	-	-	1	0.000	-	-
The Talbots, Inc.	-	-	-	-	44,000	0.076	-	-
Zwei Co., Ltd.	-	-	-	-	4	0.111	-	-

All the shares held are personal interests.

Other than as disclosed above, at 31 August 2003, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares and convertible bonds of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 August 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

Name	Number of shares	Percentage of interest %
AEON Co., Ltd.	186,276,000 (Note 1)	71.64
Aberdeen Asset Management Asia Ltd.	18,000,000	6.92
State Street Corporation	13,038,000 (Note 2)	5.01

Note 1: 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 SFO to be interested in the shares of the Company beneficially owned by ACS.

Note 2: These shares are held under lending pool.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 August 2003.

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

During the six months ended 31 August 2003, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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 2003, 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 2003 have been reviewed by the Audit Committee.

By order of the Board
Kazumasa ISHII
Managing Director

Hong Kong, 24 October 2003