

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 subsidiary (the "Group") for the six months ended 31 August 2001 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT ■ ■ ■

For the six months ended 31 August 2001

		Six months ended	
		31 August 2001 (Unaudited) HK\$'000	(Restated) 31 August 2000 (Unaudited) HK\$'000
	NOTES		
Turnover		1,722,783	1,439,896
Other revenue	4	98,714	91,854
Changes in inventories		(1,243,926)	(1,041,621)
Staff costs		(181,696)	(158,434)
Depreciation		(40,165)	(36,509)
Pre-operating expenses		—	(453)
Other operating expenses		(331,575)	(284,057)
Profit from operations		24,135	10,676
Finance costs	5	(93)	(1,129)
Investment income		2,827	1,395
Profit before taxation		26,869	10,942
Taxation	6	(7,718)	(1,469)
Profit before minority interest		19,151	9,473
Minority interest		(3,883)	(1,811)
Net profit for the period		<u>15,268</u>	<u>7,662</u>
Dividends proposed	7	<u>5,200</u>	<u>2,600</u>
Earnings per share	8	<u>5.87 cents</u>	<u>2.95 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 August 2001

	NOTES	31 August 2001 (Unaudited) HK\$'000	(Restated) 28 February 2001 (Audited) HK\$'000
Non-current Assets			
Property, plant and equipment	9	430,417	422,327
Investment securities		3,936	3,936
		434,353	426,263
Current Assets			
Inventories		261,897	227,282
Trade receivables	10	5,983	4,921
Other receivables, prepayments and deposits		98,256	109,352
Amount due from a fellow subsidiary		35,756	16,943
Bank balances and cash		235,527	280,691
		637,419	639,189
Current Liabilities			
Trade payables	11	458,113	474,912
Other payables and accrued charges		200,109	179,794
Amount due to a fellow subsidiary		9,477	4,803
Amount due to ultimate holding company		33,710	20,954
Taxation		3,424	5,830
Dividend payable		175	72
		705,008	686,365
Net Current Liabilities		(67,589)	(47,176)
		366,764	379,087
Capital and Reserves			
Share capital	12	52,000	52,000
Share premium and reserves	13	287,250	304,242
		339,250	356,242
Minority Interest		27,514	22,845
		366,764	379,087

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES ■ ■ ■

For the six months ended 31 August 2001

	Six months ended	
	31 August 2001 (Unaudited) HK\$'000	31 August 2000 (Unaudited) HK\$'000
Exchange differences arising on translation of overseas operations not recognised in the condensed consolidated income statement	1,540	(1,238)
Net profit for the period	15,268	7,662
Total recognised gains and losses	16,808	6,424
Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (Revised) (see note 2) – increase in retained profits at 1 March 2000		10,400

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 August 2001

	Six months ended	
	31 August 2001 (Unaudited) HK\$'000	31 August 2000 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	40,401	54,174
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(30,963)	(10,106)
CASH OUTFLOW FROM TAXATION	(10,300)	(1,599)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(47,891)	(82,330)
DECREASE IN CASH AND CASH EQUIVALENTS	(48,753)	(39,861)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	280,691	157,377
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,589	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>235,527</u>	<u>117,516</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS ■ ■ ■

For the six months ended 31 August 2001

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 (the “Listing Rules”) and Statement 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 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Dividends 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 in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 13).

Provisions

In accordance with SSAP 28 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Impairment of assets

SSAP 31 “Impairment of Assets” is effective for periods beginning on or after 1 January 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets other than financial assets.

With the exception of SSAP 9 (Revised), the adoption of the above standards has had no material effect on amounts reported in prior periods.

3. Segment information

The Group is principally engaged in the operation of general merchandise stores ("GMS"). No business segment analysis is presented as management considers that the Group has one single business segment.

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

	Six months ended			
	31 August 2001		31 August 2000	
	Revenue	Profit from operations	Revenue	Profit from operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,458,377	6,820	1,244,243	913
The People's Republic of China ("PRC"), other than Hong Kong	264,406	17,315	195,653	9,763
	<u>1,722,783</u>	<u>24,135</u>	<u>1,439,896</u>	<u>10,676</u>

4. Other revenue

Included in other revenue is the gain on disposal of property, plant and equipment of HK\$5,000 (2000: Nil).

5. Finance costs

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

6. Taxation

	Six months ended	
	31 August 2001	31 August 2000
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	1,100	—
PRC income tax	6,618	4,369
Deferred taxation credit	—	(2,900)
	<u>7,718</u>	<u>1,469</u>

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 subsidiary.

7. Dividends

On 21 June 2001, a dividend of 13.0 HK cents (2000: 4.0 HK cents) per share amounting to HK\$33,800,000 (2000: HK\$10,400,000) was paid to shareholders as the final dividend for the year ended 28 February 2001.

The directors have determined that an interim dividend of 2.0 HK cents (2000: 1.0 HK cent) per share amounting to HK\$5,200,000 (2000: HK\$2,600,000) should be paid to the shareholders of the Company whose names appear on the Register of Members on 23 November 2001. The interim dividend will be paid on or before 7 December 2001.

8. Earnings per share

The calculation of earnings per share is based on the Group's net profit for the period of HK\$15,268,000 (2000: HK\$7,662,000) and on 260,000,000 (2000: 260,000,000) ordinary shares in issue during the period.

9. Property, plant and equipment

During the period, the Group spent approximately HK\$47 million (six months ended 31 August 2000: HK\$75 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:

	31 August 2001 HK\$'000	28 February 2001 HK\$'000
Within due dates	2,561	2,490
Overdue under 30 days	1,443	987
Overdue over 30 days	1,979	1,444
	5,983	4,921

11. Trade payables

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

	31 August 2001 HK\$'000	28 February 2001 HK\$'000
Within due dates	420,398	438,154
Overdue under 30 days	14,392	10,328
Overdue over 30 days	23,323	26,430
	<u>458,113</u>	<u>474,912</u>

12. Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
<i>Authorised:</i>		
At 31 August 2001 and 28 February 2001	<u>350,000,000</u>	<u>70,000</u>
<i>Issued and fully paid:</i>		
At 31 August 2001 and 28 February 2001	<u>260,000,000</u>	<u>52,000</u>

There were no movements in the share capital for the six months ended 31 August 2001 and for the year ended 28 February 2001.

13. Share premium and reserves

	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	PRC statutory reserves HK\$'000	Total HK\$'000
At 1 March 2000					
– as originally stated	63,158	143	152,036	—	215,337
– prior period adjustment (note 2)	—	—	10,400	—	10,400
	<u>63,158</u>	<u>143</u>	<u>162,436</u>	<u>—</u>	<u>225,737</u>
– as restated	63,158	143	162,436	—	225,737
Exchange differences arising on translation of overseas operations	—	(731)	—	—	(731)
Net profit for the year	—	—	92,236	—	92,236
Transfer, net of minority interest's share	—	—	(705)	705	—
Dividends paid	—	—	(13,000)	—	(13,000)
	<u>63,158</u>	<u>(588)</u>	<u>240,967</u>	<u>705</u>	<u>304,242</u>
At 28 February 2001	63,158	(588)	240,967	705	304,242
Exchange differences arising on translation of overseas operations	—	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)
	<u>63,158</u>	<u>952</u>	<u>222,274</u>	<u>866</u>	<u>287,250</u>
At 31 August 2001	<u>63,158</u>	<u>952</u>	<u>222,274</u>	<u>866</u>	<u>287,250</u>

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

14. Capital commitments

	31 August 2001 HK\$'000	28 February 2001 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	170	24,887
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	—	38,739
	<u>170</u>	<u>63,626</u>
Capital contribution to a subsidiary contracted for but not provided in the financial statements	<u>33,677</u>	—

CLOSURE OF REGISTER OF MEMBERS ■ ■ ■

The Register of Members of the Company will be closed from 20 November 2001 to 23 November 2001, both days inclusive, during which period no share transfers will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged 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 19 November 2001.

BUSINESS REVIEW ■ ■ ■

Market sentiment for the retail market for the first half of 2001 remained stagnant. The unemployment rate maintained a high of approximately 4.5% for the first eight months of 2001. Although several interest rate cuts have taken place, the impact on consumer spending was not significant. Total retail sales volume of Hong Kong for the three months ended 31 July 2001 dropped 0.6% compared to the three months ended 30 April 2001, while the total retail sales value dropped 1.4%.

Despite the deterioration in market conditions, the Group recorded an increase of 20% in turnover over the same period last year. The Group's total turnover reached HK\$1,723 million, rising from HK\$1,440 million. The Group is also delighted to report that profit attributable to shareholders increased 99%, reaching HK\$15.3 million, compared to the corresponding figure of HK\$7.7 million last period. The surge in profit was mainly attributable to the 6 months operation of the Kornhill Store in Hong Kong and the China Plaza Store in Guangzhou City for the period ended 31 August 2001, compared to their 2 months and 3 months operations respectively in the same period last year. Additionally, both the Group's effective cost control as well as its diversified merchandise mix were key factors to generate profit.

The Group maintained gross profit margins at 27.8%. Interest expenses decreased to less than HK\$0.1 million from last period's figure of approximately HK\$1 million, while interest income increased 122% to HK\$2.5 million. Rental costs against turnover slightly increased from 8.7% to 9.4%. The staff costs against turnover decreased from 11.0% to 10.6%. As at 31 August 2001, the Group maintained a healthy financial position with no bank borrowings and had a net cash balance of HK\$236 million, which is in line with the management's objective to pursue future expansion. Having sufficient cash on hand, the management does not expect any material bank borrowings in the coming half year.

Following the success of the Kornhill Store, the Lok Fu Store has also undergone renovation and expansion in the first half of the financial year. Apart from providing a more comfortable shopping environment, the Group has continued its strategy to introduce a wide range of merchandise including the most popular Japanese food items. The supermarket in the Lok Fu Store has almost doubled its size to 16,000 sq. ft. More fresh food, produce and Japanese merchandise are being introduced

into the enlarged supermarket, which has received an overwhelming response from customers. Ensuring customer convenience and allowing customers to have an enjoyable shopping experience, different departments have been re-arranged and re-structured.

Apart from the Hong Kong operations, the stores in the PRC also reported stable growth in sales and profit. Sales increased 35% and profit from operations before taxation increased 77% for the period under review. The Group believes that Guangzhou, with its high residential density and accessible transport, is an ideal hub for expansion.

Exchange rate fluctuations had no material impact on the Group as imported items invoiced in foreign currencies comprised less than 5% of total purchases.

As at 31 August 2001, the Group employed about 2,500 full-time and 1,900 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on 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

The full impact of the tragic attacks on the US in September cannot be measured at the moment. However, they are expected to create a negative impact on the global economy. Local consumer spending is expected to further hang back. The retail market in turn will take longer period of time to recover.

Despite the adverse situation, the Group is well positioned for future development. Internally, the Group will enrich and diversify its product mix and strengthen promotional campaigns to enhance its competitive edge in the retail industry and tighten up expense control. Externally, the Group will continue to explore potential markets to capture the business opportunities ahead.

Currently, the Group is considering further expansion of its market share in Hong Kong through the opening of more new GMSs. The Group is open to opportunities to establish new stores when market conditions are favorable and as prime locations become available.

In addition to Hong Kong's operations, the Group has also been actively developing the PRC market. In view of the huge market potential and promising future in the PRC, the Company entered into an agreement with Shenzhen Centralcon The City Plaza Co. Ltd. and Shenzhen Modern Friendship Co., Ltd. ("Shenzhen JUSCO") to set up its third GMS in PRC, Shenzhen JUSCO Friendship Stores Co., Ltd., at The City Plaza in Shenzhen in August 2001. The Group has full confidence that the new Shenzhen GMS will generate a positive contribution to the Group in the future. Shenzhen JUSCO is expected to commence operations in the third quarter of 2002. The Company will finance its share of the capital contribution from internal resources which amounted to about HK\$33.7 million.

Facing the worsening market environment, the management believes that the growth of the retail industry in Hong Kong will slow down. However, through the introduction of a wide range of product mix and maintaining effective cost control, together with the successful operation of the two GMSs in Guangdong Province and eight GMSs in Hong Kong, the Group is well positioned to grasp new business opportunities once the market rebounds.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

At 31 August 2001, 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
Sozaburo YAMAZAKI	300,000
WONG Mun Yu	18,000
LAM Man Tin	50,000
Kazumasa ISHII	80,000
Motoya OKADA	100,000
Akihito TANAKA	50,000
SHAO You Bao	200,000
LAM Pei Peggy	200,000

(b) AEON Co., Ltd. (formerly known as JUSCO Co., Ltd.), the Company's ultimate holding company

Name of directors	Number of shares held	Family interests
	Personal interests	
Toshiji TOKIWA	2,000	—
Sozaburo YAMAZAKI	2,601	—
Motoya OKADA	202,248	4,371
Akihito TANAKA	6,000	—
Kazumasa ISHII	7,000	—
Shinobu WASHIZAWA	380	—

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	Sozaburo YAMAZAKI	Motoya OKADA	Akihito TANAKA	SHAO You Bao
AEON Credit Service (Asia) Company Limited	—	22,000	110,000	—	330,000
AEON Fantasy Co., Ltd.	—	—	10	1	—
AEON Forest Co., Ltd.	—	—	3,000	—	—
AEON Kosan 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	—
Jus-Photo Co., Ltd.	—	—	2,000	—	—
Kyushu JUSCO Co., Ltd.	—	—	2,000	—	—
Laura Ashley Japan Co., Ltd.	—	—	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 2001, 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 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

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

Note: These shares are held as to 167,500,000 shares by AEON Co., Ltd., 10,000,000 shares by JUSCO (Europe) B.V. and 7,000,000 shares by JUSCO (U.S.A.) Inc., which are wholly-owned subsidiaries 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% or more in the issued share capital of the Company as at 31 August 2001.

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



During the six months ended 31 August 2001, 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 six months ended 31 August 2001, 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 2001 have been reviewed by the Audit Committee.

By Order of the Board
Sozaburo YAMAZAKI
 Managing Director

Hong Kong, 23 October 2001