



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 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The Group's turnover increased 20% over the same period last year, from HK\$1,440 million to HK\$1,723 million.
- Profit attributable to shareholders increased 99% from the corresponding figure of HK\$7.7 million last period to HK\$15.3 million this period.
- Gross profit margins were maintained at 27.8%.
- Interest expenses dropped to less than HK\$0.1 million from last period's figure of approximately HK\$1 million, while interest income surged 122% to HK\$2.5 million.
- Rental cost against turnover slightly increased from 8.7% to 9.4%.
- Staff cost against turnover decreased from 11.0% to 10.6%.
- As at 31 August 2001, the Group had a net cash balance of HK\$236 million.
- The Group spent approximately HK\$47 million on property, plant and equipment during the period.

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

	NOTES	Six months ended	
		31 August 2001 (Unaudited) HK\$'000	(Restated) 31 August 2000 (Unaudited) HK\$'000
Turnover		1,722,783	1,439,896
Other revenue		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		(93)	(1,129)
Investment income		2,827	1,395
Profit before taxation		26,869	10,942
Taxation	4	(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		<u>5,200</u>	<u>2,600</u>
Earnings per share	5	<u>5.87 cents</u>	<u>2.95 cents</u>

NOTES

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 which increased the retained profits at 1 March 2000 by HK\$10,400,000.

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 HK\$'000	Profit from operations HK\$'000	Revenue HK\$'000	Profit from operations 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. TAXATION

	Six months ended	
	31 August 2001 HK\$'000	31 August 2000 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.

5. 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.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 2.0 HK cents (2000: 1 HK cent) per share for the six months ended 31 August 2001 to shareholders whose names appear on the Register of Members of the Company on 23 November 2001. The interim dividend will be paid on or before 7 December 2001.

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

- During the first half of 2001, market sentiment for the retail market remained stagnant as unemployment rate was still at a high level of 4.5%. Worse still, interest rate cuts have not significantly stimulated consumer spending.
- For the 3 months ended 31 July 2001, total retail sales volume of Hong Kong dropped 0.6% while total retail sales value dropped 1.4% compared to the three months ended 30 April 2001.
- Although market conditions worsened, the Group still recorded satisfactory growth in turnover and profit.
- The surge in profit was mainly due to effective cost control, diversified merchandise mix and the 6 months operation of the Kornhill Store in Hong Kong and the China Plaza Store in Guangzhou City during the review period, compared to their 2 months and 3 months operations respectively in the same period last year.
- At 31 August 2001, the Group continued to maintain a healthy financial position and has no bank borrowings. With sufficient cash, the Group does not expect any material bank borrowings in the coming half year.
- Exchange rate fluctuations had no material impact on the Group as imported items invoiced in foreign currencies comprised less than 5% of total purchases.
- 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.

Hong Kong Stores

- 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.
- With different departments re-arranged and re-structured, the newly renovated stores provide customers with a more comfortable shopping environment. Besides, a wide range of merchandise has been introduced, giving customers a variety of selection.
- The Lok Fu Store's supermarket has almost doubled its size to 16,000 sq. ft, in which more fresh food, produce and Japanese merchandise have been introduced, receiving overwhelming response from customers.

PRC Stores

- During the review period, sales and profit from operations before taxation for the stores in the PRC increased by 35% and 77% respectively.
- With its high residential density and accessible transport, the Group believes that Guangzhou will be an ideal hub for future expansion.

PROSPECTS

- The tragic attacks on the US in September are expected to create negative impact on the global economy, which may curtail local consumer spending. Consequently, the retail market might take longer time to recover.
- Despite the adverse situation, JUSCO is well positioned for future development. To enhance competitiveness, the Group will enrich its product mix, strengthen promotional campaigns and tighten up expense control.
- The Group is considering further expanding its market share in Hong Kong through opening more new GMSs when market conditions are favorable and prime locations become available.
- The Group is also actively developing the PRC market. In August 2001, JUSCO entered into an agreement with Shenzhen Centralcon The City Plaza Co. Ltd. and Shenzhen Modern Friendship Co., Ltd. to set up its third GMS, Shenzhen JUSCO Friendship Stores Co., Ltd., in The City Plaza, Shenzhen, PRC. It is expected to commence operations in the third quarter of 2002. JUSCO will finance its share of the capital contribution which amounted to about HK\$33.7 million from internal resources and has full confidence that the new store will generate positive contribution in the future.
- It is expected that the growth of the retail industry will slow down. However, through diversifying product mix, maintaining effective cost control, together with the successful operation of the two GMSs in Guangdong Province and eight GMSs in Hong Kong, JUSCO is well positioned to grasp new business opportunities ahead.

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.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S 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 subsequently published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board
Sozaburo YAMAZAKI
Managing Director

Hong Kong, 23 October 2001