

AEON Co., Ltd. (“AEON”) is an integrated Japanese retailing and service group consisting of more than 140 subsidiaries and affiliates. Its core business is the operation of General Merchandise Stores (“GMS”). It also participates in the operation of specialty stores, shopping centre development and in the service sector. AEON is active not only in Japan, but also in the Southeast Asia, the PRC and North America. AEON’s activities are guided by the unchanging “customer first” credo in every market all the times.

JUSCO Stores (Hong Kong) Co., Limited (“JUSCO”), a subsidiary of AEON, established its first store in Hong Kong in 1987 and was listed on the Hong Kong Stock Exchange in 1994. JUSCO is now operating eight GMS in Hong Kong and five GMS in the Guangdong province, the PRC.

Mission

Our principle is to place “Customer First” at all times. We also emphasise three key words, which make up the essence and character of the retail industry: “peace”, “people” and “community”. These precepts remain the same wherever we are doing business and we strive to act as a good corporate citizen of the local community.

Our strategy is to provide a wide-range of quality daily necessities at reasonable prices for our customers.

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Corporate Information

Board of Directors

Executive Directors

Kazumasa ISHII (Managing Director)
Kozo MURATA (Deputy Managing Director)
WONG Mun Yu
LAM Man Tin

Non-Executive Directors

Toshiji TOKIWA (Chairman)
Motoya OKADA
Akihito TANAKA

Independent Non-Executive Directors

SHAO You Bao
LAM PEI Peggy

Company Secretary

HENG Kwoo Seng, FCA, AHKSA, CPA

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Mizuho Corporate Bank, Ltd.
The Bank of Tokyo – Mitsubishi, Ltd.
Sumitomo Mitsui Banking Corporation
UFJ Bank Limited
Standard Chartered Bank
The Hong Kong and Shanghai Banking
Corporation Limited

Share Registrars

Secretaries Limited
Ground Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Registered Office

G-4th Floor, Kornhill Plaza (South)
2 Kornhill Road, Hong Kong

Head Office and Principal Place of Business

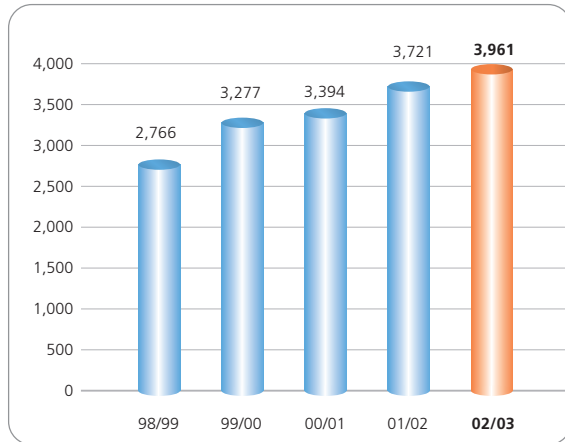
3rd Floor, Stanhope House, 738 King's Road
Quarry Bay, Hong Kong
Tel: (852) 2565 3600 Fax: (852) 2563 8654
Website: www.jusco.com.hk

GMS Distribution Network (as at 28 February 2003)

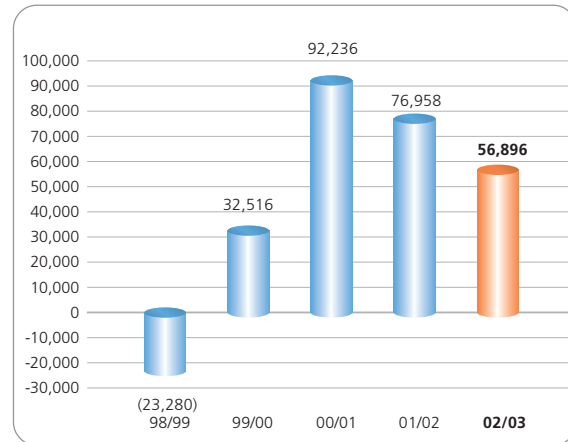
	No. of stores	Floor area (sq. ft.)
Hong Kong	8	1,199,000
Guangdong province	5	815,000
Total	13	2,014,000
Net increase (vs. 2002)	3	536,000

Financial Highlights

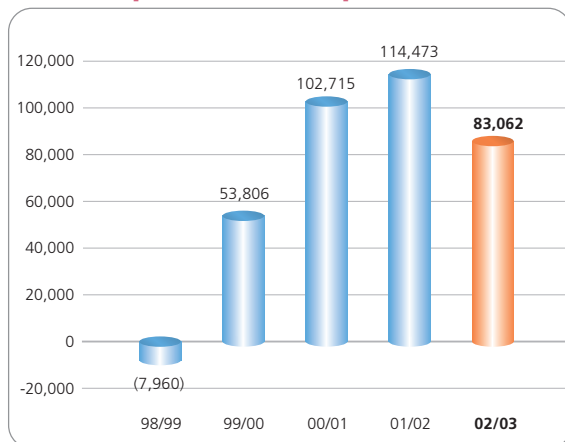
Turnover (HK\$million)



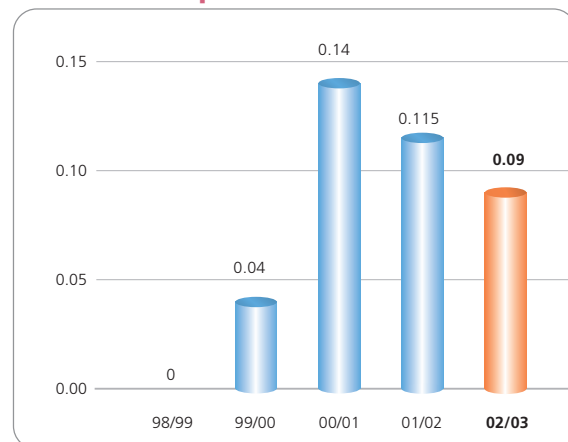
(Loss) profit attributable to shareholders (HK\$'000)



(Loss) profit from operations (HK\$'000)



Dividend per share (HK\$/share)



	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
Turnover (HK\$million)	2,766	3,277	3,394	3,721	3,961
Breakdown					
Fashion	21	23	24	22	22
Food	28	25	27	28	30
Household	45	44	41	43	41
Catering	6	8	8	7	7
(Loss) profit from operations (HK\$'000)	(7,960)	53,806	102,715	114,473	83,062
(Loss) profit attributable to shareholders (HK\$'000)	(23,280)	32,516	92,236	76,958	56,896
Dividend per share (HK\$/share)	–	0.040	0.140	0.115	0.090

Chairman's Statement



Toshiji TOKIWA,
Chairman

Further growth utilizing group synergy

The tough economy in 2002 has created a very challenging business environment for the entire retail industry around the world. Market sentiment was dampened by downgrading economic forecasts and negative economic data while equity markets fluctuated and underperformed during the past year. All these depressing factors have deterred shoppers' purchasing intent, which in turn discouraged consumption. On the other hand, the PRC economy seemed able to override this volatile situation and sustained remarkable GDP growth. As such, JUSCO Stores (Hong Kong) Co., Limited ("JUSCO"), the core member of AEON Group ("AEON"), continued its expansion plan in the south China region and opened three new stores last year. Store expansion in the Pearl River Delta, centre of the south China region, is a strategic move for the growth of JUSCO. This year, JUSCO has set a milestone in establishing foundation for chain-store operation in the Pearl River Delta.

The retail market in the south China region is regarded as one of the highly competitive regions in China with aggressive expansion by both international and local retailers. In order to achieve our vision, "Becoming the No.1 retailer in south China", the enhancement of our group's competitive power to become a global retailer and the adaptability of our local entity to the regional markets are the key factors to win the increasingly intense competition.

AEON Group generated its record revenue of 3,086 billion Japanese Yen (approximately HK\$200 billion) in the fiscal year 2002. In the long run, AEON's target is to become one of the top 10 retailers in the world by year 2010, and we are striving to realise the transparency and high efficiency of corporate management befitting a global retailer.

In the aspects of financial, personnel and store development, AEON will establish a system under which management resource allocation will be optimised by supervision conducted on the whole group. Regarding financial strategy, we will strengthen control on the investment of the whole group, thoroughly execute cash flow management and reduce interest-bearing debt. Furthermore, the reduction of merchandise inventory will be given the first priority. This will be achieved through innovating merchandising process, establishing efficient supply chain as well as sharing best practices amongst group companies, which target to improve inventory efficiency.

Additionally, on the assumption that the global competition will become keener, AEON will accelerate its conversion into a low cost structure. We aim at achieving competitive merchandise cost by enhancing direct sourcing, own merchandise development and increasing demand aggregation through the full utilisation of the group's scale merit. This will also be attained through the improvement of the group's business infrastructure to facilitate the sharing of facilities such as IT and logistics networks amongst group companies.

To our shareholders, AEON together with JUSCO as a "GLOCAL Retailer" would like to make a firm commitment that all of our management and associates will work as a group for further growth based on the spirit of "Customer First", which is our everlasting fundamental philosophy since foundation. With AEON's competitiveness aforesaid, our ability to understand the local market and our brand equity which have been cultivated through our operation of 13 GMS in Hong Kong and south China, we are confident to achieve flying colours in future.



Toshiji TOKIWA
Chairman

Hong Kong, 16 May 2003

Management Discussion and Analysis



Kazumasa ISHII,
Managing Director

RESULTS

JUSCO Stores (Hong Kong) Co., Limited (the "Company") and its subsidiaries (the "Group" or "JUSCO") recorded a turnover of HK\$3,961 million for the year ended 28 February 2003, representing a rise of 6.5% over last year's figure of HK\$3,721 million. The increase in turnover was partly contributed by the opening of new GMS in the PRC. Profit attributable to shareholders fell 26.1% to HK\$57 million. This was mainly due to the increase in pre-operational expenses incurred for the new stores, which amounted to HK\$14 million and an income tax expenses of HK\$30 million. Earnings per share were 21.88 HK cents. (2002: 29.60 HK cents)

DIVIDENDS

The Board of Directors has recommended a final dividend of 9.0 HK cents per share (2002: 9.5 HK cents) to be paid on or before 8 August 2003, subject to shareholders' approval at the forthcoming annual general meeting on 19 June 2003. No interim dividend was declared during the year (2002: 2.0 HK cents).

FINANCIAL REVIEW

During the year under review, the total turnover increased to HK\$3,961 million partly because of the Group's expansion in the south China region. However, profit from operations recorded a drop of 27.4% to HK\$83 million while profit attributable to shareholders was recorded at HK\$57 million.

Despite a harsh retail environment in the past year, JUSCO was able to maintain a similar level of gross profit margin at 27.2% (2002: 28.2%) as the Group strove to enhance merchandise mix and product quality while exercise stringent cost control simultaneously.

Staff costs against turnover decreased slightly from 9.7% to 9.6% while rental costs against turnover recorded a small increase from 8.9% to 9.2%.

Owing to the falling interest rates during the year, interest income recorded a slight decrease of 6.7% at HK\$4.3 million this year.

As at the year-end date, the Group maintained a solid financial position with no bank borrowings and cash on hand of over HK\$400 million as compared to HK\$350 million last year.

Capital expenditure during the year amounted to HK\$100 million, which was mainly incurred for the opening of the Dongguan, Shenzhen and Zhuhai Stores in the PRC.

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

BUSINESS REVIEW

Hong Kong Operations

The economic backdrop in 2002 remained a subdued growth scenario. This created a very tough environment for the entire retail industry as the downturns in the stock and property markets, lingering high unemployment rates as well as the prevalent wage freeze and salary cuts had severely depressed consumer confidence. Despite these adverse circumstances, JUSCO was able to maintain stable performance which was backed by our proven business strategies and solid experience in the retail market.

Reviewing last year's performance, JUSCO's Hong Kong stores recorded a rise of 1.5% in sales to reach HK\$3,224 million. Profit from operations grew 1.1% to HK\$80 million. Faced with the harsh operating environment last year, JUSCO strove to enhance business performance through implementing successful corporate and product branding strategies, further consolidating our position in the local retail industry through expansion in the niche \$10 shop market, launching attractive promotional campaigns as well as actively enlarging our loyal customer scheme through J CARD programme.

With the aim of enhancing our corporate branding, JUSCO has been committed to providing customers with merchandise and a shopping environment which guarantee "safety", "confidence" and "trust". Even though large-scale renovation was not carried out last year, we regularly conducted betterments of store layout and improved merchandise display methods to make our GMS setting more customer-friendly. JUSCO's commitment to constantly providing customers with quality service was widely commended. Elected by the Hong Kong citizens, JUSCO won the 13th "Top Service Award" organised by Next Magazine in November 2002 and was chosen as the best service provider in the department store category.

As for its product branding, JUSCO's merchandise has long been recognised as "value-for-money" and the Group's dedication to providing customers with rich merchandise mix at reasonable prices has been continuing. In the past year, over 600 items under our famous in-house brand, "Top Valu", were carried at the Group's GMS in a great variety, which covered food, fashion and household products. Not only were these items well received in the market but they also strengthened JUSCO's product differentiation from our competitors. More importantly, this also helped sharpen the Group's competitiveness and implanted deeply our realisation of providing "value-for-money" merchandise in customers' minds.

The lingering weak economic conditions in the review year provided the Group with an opportunity to expand and consolidate our position in the niche \$10 shop market. Last year saw the breakthrough development of our "\$10 Plazas" as the Group opened the first shop outside our GMS. Located at the hot shopping spot in Causeway Bay, JUSCO's flagship "\$10 Plaza" has been attracting heavy customer flows and recording satisfactory sales.

Management Analysis and Discussion

During the financial year, we launched a series of promotional campaigns to attract and reward our customers. For instance, “Theme Marketing Campaigns”, such as Japanese, Korean, Taiwanese and Thai food fairs were organised. During those promotional periods, not only did we introduce unique native food at the GMS, but we also organised traditional dances and cultural performances to lure customers. Among all the campaigns held last year, the “15th Anniversary” Lucky Draw signified the climax of the programmes as free travel packages to Japan, luxury cars and other grand prizes worth over HK\$8.8 million were given away to our lucky customers. These attractive promotional programmes succeeded in increasing customer flows at our stores, which helped boost our sales.

Apart from organising promotions to attract customers, JUSCO also relentlessly sought to enlarge a loyal customer base through actively expanding J CARD membership. Besides, we also extended the formerly exclusive J CARD promotional benefits to holders of AEON JUSCO affiliated credit cards. Not only did this tactic enhance customers’ loyalty through encouraging them to shop more frequently in JUSCO but it also successfully expanded our loyal customer base. As at the year-end date, the number of J CARD members had already climbed to 160,000 while the number of AEON JUSCO affiliated credit card holders reached more than 310,000.

PRC Operations

China’s role in the global market will continue to ascend as it has already entered the international economic arena of WTO. With a spectacular GDP growth that outperformed most markets worldwide and the continuously rising living standard of its people, the PRC undoubtedly represents a market with extensive opportunities. In view of this, JUSCO has continued its footsteps to expand in this surging market in the past year.

During the past financial year, the PRC stores recorded a surge in turnover of 35.6%, against last year’s HK\$543 million to this year’s HK\$737 million. The year had seen the opening of three new GMS in China. Because of this, the Group had to incur an increase in pre-operating expenses which amounted to HK\$14 million. As these new stores were still in the initial investment stage, profit from operations for the PRC stores was lower than last year, recording at HK\$4 million for the year under review. However, the opening of new stores allowed the Group to further strengthen our position in the PRC retail market, which presented us a strong driver for future growth.



Community Contribution

Being a responsible corporate citizen, JUSCO has been committed to community causes during the year. To align with the philosophy of our parent company, AEON, environmental protection was given paramount concern. The annual "Old Book Recycling Campaign" was held again last year. Further fuelling our efforts to save the planet, we organised environmental protection programmes such as "Eco Drawing Competition for Children", "Tree Caring Programme", "Organic Garden Tour", etc. to arouse the general public's environmental protection awareness and make our living environment a greener place to live in. Recognised as a social caring and environment concerned company, JUSCO was awarded "Caring Company" by the Hong Kong Council of Social Service, which acknowledged companies with active participation in social services and made great contribution to the Hong Kong community.

Human Resources

As at 28 February 2003, the Group employed about 3,300 full-time and 2,400 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices in the industry.

One of the key factors for our success as a high-quality company is our commitment to staff training. Apart from offering staff benefits such as professional tuition and training subsidies, our JUSCO University, which has been established for many years, will be upgraded to South China AEON University. Staff training will then be extended to cover the whole southern PRC region. The University will also dedicate to expanding its courses and providing more training seminars so as to continuously enhance the knowledge and techniques of our staff and equip them to better serve our customers.

PROSPECTS

In Hong Kong, consumption sentiment was dampened by the downgrading economic environment, which was further aggravated by the recent outbreak of Severe Acute Respiratory Syndrome ("SARS") or atypical pneumonia. However, as the reported cases of SARS in Hong Kong are already on a downward trend, the Group expects consumption confidence to gradually pick up. In future, JUSCO will continue to implement a strict hygiene policy to ensure a safe and comfortable shopping environment for our customers as well as a safe and clean working environment for our staff. Despite the aforesaid harsh



Management Analysis and Discussion

economic environment, JUSCO has been treating it as a normal situation and devising suitable strategies to further consolidate our market position.

The spread of the rampant atypical pneumonia also affected most of the south China region, which severely deterred tourists from visiting the country. It is beyond estimation as to how long the outbreak will be under control. However, JUSCO's management is optimistic about the booming economic growth of China in the long run, which in turn presents us with great opportunities in future.

To strengthen JUSCO's product branding strategy, a China Sourcing Team has been set up to identify appropriate manufacturers in the PRC for the production of food, household and fashion items based on JUSCO's specific requirements. In future, the China Sourcing Team will dedicate to developing JUSCO's in-house brands, which allows us to better control merchandise cost and quality on one hand and enjoy higher margins on the other.

Hong Kong Operations

Given the present economic conditions, Hong Kong consumers will continue to rely on JUSCO's ability to provide them with a broad range of daily necessities and quality products at bargain prices. Besides, the maintenance of hygiene and quality control will be given paramount concern as it is crucial to live up to our promise of ensuring an ideal shopping environment for our customers.

The aforesaid unfavourable situation undoubtedly presents the Group with the opportunity to further expand in the \$10 shop market. In future, we will continue to pursue an aggressive strategy of setting up "\$10 Plazas" outside GMS. Targeted locations will be highly populated commercial or residential areas along major mass transportation networks.

In the year to come, JUSCO will continue to devise attractive promotional campaigns to attract customers. Market research will be conducted to identify customer needs and market trends. The information collected will be fully utilised for the execution of our "Theme Marketing Programmes", which will help enhance the effectiveness of our promotions. Besides, we will continue to dedicate ceaseless effort to enlarging J CARD membership, with the aim of expanding our loyal customer base. Exclusive activities will be organised for J CARD holders to further enhance communications and maintain close relationships with our loyal patrons.



PRC Operations

In view of the PRC's great development potential, the Group's continuous expansion is moving in the right direction. However, there exist certain factors which will affect our expansion tempo, which include the intensity of competitions, prevalent market conditions as well as the availability of suitable locations to open new stores. As such, the Group will adopt a prudent approach to regularly monitor and review our pace of development.

2003 and 2004 will see the opening of two new GMS in Zhongshan and Foshan, aiming to bring one-stop shopping convenience to customers in the PRC. In the long run, we aim at establishing our JUSCO brand name in the PRC through developing chain-store operation. This will in turn lead to the achievement of economies of scale in logistics and merchandise sourcing. It is expected that the time required for the new GMS to break-even is around 12 months. However, the Group will keep on conducting market research and store supervision to regularly change our store layout, merchandise mix, and product assortment presentation so as to better suit the changing tastes and real needs of local customers as well as bringing returns to the Group.

Backed by our strong financial foundations, JUSCO is well-positioned to further consolidate our foothold in the PRC retail market.

Conclusion

Last but not least, on behalf of JUSCO, I would like to express my sincere gratitude to the support of our customers and our shareholders in the past year. I would also like to thank our dedicated staff who have devoted ceaseless effort to improve JUSCO's performance. In the years to come, we will continue to commit ourselves to providing quality service for our valued customers, maximising returns for our shareholders and making contribution to the well-being of the society.



Kazumasa ISHII

Managing Director

Hong Kong, 16 May 2003



Senior Management Profile

Directors

Mr. Toshiji TOKIWA

Mr. Tokiwa, aged 63, was appointed as Director of the Company in June 2000, is Chairman of the Company as well as AEON Co., Ltd. He graduated from Keio University with a bachelor's degree in Law. He joined AEON Co., Ltd. in 1999. He was Senior Managing Director of the Dai-Ichi Kangyo Bank in Japan from May 1995 to June 1996.

Mr. Kazumasa ISHII

Mr. Ishii, aged 52, was appointed as Managing Director of the Company in May 2002. He joined AEON Co., Ltd. in 1974 after his graduation from the Doshisha University with a bachelor's degree in commerce. Mr. Ishii joined JUSCO since 1990. He became Director of the Company in 1994. In 1995, he resigned from Director of the Company as he moved to Guangdong, the PRC for the establishment of Guangdong JUSCO Teem Stores Co., Ltd. and acted as its Managing Director. In 2002, he was appointed as Vice-Chairman of Guangdong Chain Operations Association and is the first and only non-Chinese taking up this position.

Mr. Kozo MURATA

Mr. Murata, aged 49, was appointed as Director of the Company in June 2002, is Deputy Managing Director of the Company. He graduated from Tokyo Institute of Technology with a master degree in social technology. He joined AEON Co., Ltd in 1978.

Mr. WONG Mun Yu

Mr. Wong, aged 45, was appointed as Director of the Company in May 1999, is Director of Accounts and Finance. He joined the Company in 1988. He is a fellow of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. LAM Man Tin

Mr. Lam, aged 44, was appointed as Director of the Company in May 1999, is Director of Business Development. He graduated from University of Hull with a master degree in strategic marketing. He joined the Company in 1992 and had over 19 years of experience in retail and service industry.

Mr. Motoya OKADA

Mr. Okada, aged 52, was appointed as Director of the Company in February 1992. He graduated from Waseda University with a bachelor degree in commerce. He also received a master degree in business administration from the Graduate School of Business Administration of Babson College. He joined AEON Co., Ltd. in 1979 and was appointed as President of AEON Co., Ltd. in May 1997.

Mr. Akihito TANAKA

Mr. Tanaka, aged 55, was appointed as Director of the Company in June 1997, is also Senior Vice President of AEON Co., Ltd. He graduated from Kansai University with a bachelor degree in journalism. He joined AEON Co., Ltd. in 1970.

Independent Non-Executive Directors

Dr. SHAO You Bao, S.B.S.

Dr. Shao, aged 82, was appointed as Director of the Company in July 1993. He graduated from Japan Kobe University with a bachelor degree in economics and received an Honorary Doctorate of Laws from Ohio University. Dr. Shao is also the Chairman of Van Yu Trading Co. Ltd., Van Yu Holding Co. Ltd., and Van Fung Co., Ltd. He had been a Hong Kong Affairs Advisor to the People's Republic of China and a member of the Preparatory Committee for the Hong Kong Special Administrative Region. Dr. Shao was awarded the Silver Bauhinia Star (S.B.S.) by the Hong Kong Special Administrative Region Government in 1998.

Mrs. LAM PEI Peggy, S.B.S., O.B.E., J.P.

Mrs. Lam, aged 74, was appointed as Director of the Company in January 1994. She graduated from University of Shanghai with a bachelor degree in sociology and social work. She received a certificate in family planning from the University of Chicago and a certificate in Public Health Administration from the University of Michigan. Mrs. Lam is a fellow in Family Planning of the American University, the United States of America. She is the Chairman of Wan Chai District Council and was a member of the Preparatory Committee for the Hong Kong Special Administrative Region. She is the founding Chairman of the Hong Kong Federation of Women. She had been a Hong Kong Affairs Advisor to the People's Republic of China, a member of Legislative Council in 1988-1995 and a member of Provisional Legislature of the Hong Kong Special Administrative Region. She was also a member of Chinese People's Political Consultative Conference. She was awarded the Silver Bauhinia Star (S.B.S.) by the Hong Kong Special Administrative Region Government in 1998.

Senior Management

Mr. Daisuke KOBAYASHI

Mr. Kobayashi, aged 44, is General Manager of Administration. He graduated from Kwansai Gakuin University with a bachelor's degree in business administration. He joined AEON Co., Ltd. in 1981 and the Company in 2000.

Mr. Yutaka AGAWA

Mr. Agawa, aged 46, is General Manager of Buying. He graduated from Daito-Bunka University with a bachelor degree in Arts. He joined AEON Co., Ltd in 1980 and the Company in 2003.

Mr. CHAK Kam Yuen, Edward

Mr. Chak, aged 40, is the General Manager of Operations. He joined the Company in 1987. He has 21 years of experience in retail industry, especially in Store Management.

Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 28 February 2003.

Principal Activities

The Company and its subsidiaries are engaged in the operation of general merchandise stores.

Subsidiaries

Details of the Company's subsidiaries at 28 February 2003 are set out in note 16 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 28 February 2003 are set out in the consolidated income statement on page 21.

The directors recommend the payment of a final dividend of 9.0 HK cents per share to the shareholders on the register of members on 19 June 2003, amounting to HK\$23,400,000 and the retention of the remaining profit for the year.

Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent. of the Group's total sales and purchases for the year.

Property, Plant and Equipment

During the year, the Group spent approximately HK\$100 million on property, plant and equipment to renovate its stores and expand its operations. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors

Kazumasa ISHII (Managing Director from 10 May 2002)

Sozaburo YAMAZAKI (Managing Director up to 10 May 2002)

Kozo MURATA (Deputy Managing Director from 20 June 2002)

Shinobu WASHIZAWA

WONG Mun Yu

LAM Man Tin

(resigned on 10 May 2002)

(appointed on 20 June 2002)

(resigned on 21 March 2003)

Directors (continued)***Non-executive directors***Toshiji TOKIWA (*Chairman*)

Motoya OKADA

Akihito TANAKA

Independent non-executive directors

SHAO You Bao

LAM Pei Peggy

In accordance with Article 101 of the Company's Articles of Association, all remaining directors retire from office. Except for Mr. Akihito TANAKA, who has notified the Company that he will not offer himself for re-election, the remaining directors offer themselves for re-election.

The term of office for each non-executive and independent non-executive director is the period up to his retirement in accordance with the above Article.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Shares and Debentures

At 28 February 2003, 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
Kazumasa ISHII	80,000
Kozo MURATA	8,000
Shinobu WASHIZAWA	6,000
WONG Mun Yu	18,000
LAM Man Tin	50,000
Motoya OKADA	100,000
Akihito TANAKA	50,000
SHAO You Bao	200,000
LAM Pei Peggy	200,000

Directors' Interests in Shares and Debentures (continued)

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

Name of directors	Number of shares held	
	Personal interests	Family interests
Kazumasa ISHII	7,000	–
Kozo MURATA	3,000	–
Shinobu WASHIZAWA	677	–
Toshiji TOKIWA	2,000	–
Motoya OKADA	201,248	4,371
Akihito TANAKA	6,000	–

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				
	Kozo MURATA	Toshiji TOKIWA	Motoya OKADA	Akihito TANAKA	SHAO You Bao
AEON Credit Service (Asia) Company Limited	–	–	110,000	–	330,000
AEON Fantasy Co., Ltd.	–	–	20,000	2,000	–
AEON Forest Co., Ltd.	–	–	3,000	–	–
Aeonmall 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	–
Kyushu JUSCO Co., Ltd.	–	–	2,000	–	–
Laura Ashley Japan Co., Ltd.	1	–	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	–	–

Directors' Interests in Shares and Debentures (continued)

Other than as disclosed above, at 28 February 2003, 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 year.

Directors' Interests in Contracts of Significance and Connected Transactions

During the year, the Group had the following material transactions with AEON Co., Ltd. and two of its subsidiaries, namely AEON Credit Service (Asia) Company Limited ("ACS") and Aic Merchandising (Japan) Ltd.. Messrs. Toshiji TOKIWA, Sozaburo YAMAZAKI, Motoya OKADA, Akihito TANAKA, Kazumasa ISHII and Shinobu WASHIZAWA have beneficial interests in AEON Co., Ltd.. Messrs. Sozaburo YAMAZAKI, Motoya OKADA and Dr. SHAO You Bao also have beneficial interests in ACS.

- (i) The Company made purchases from Aic Merchandising (Japan) Ltd. amounting to a total of approximately HK\$43,004,000. The value of purchases was 1.82 per cent. of the total purchases of the Company for the year ended 28 February 2003. In the opinion of those directors not having an interest in the above transactions, these transactions were carried out in the ordinary course of business and on normal commercial terms.
- (ii) Royalties payable to AEON Co., Ltd. for the year ended 28 February 2003 pursuant to a technical assistance agreement amounted to approximately HK\$26,363,000.
- (iii) ACS and the Group have entered into agreements under which the Group pays commission to ACS in respect of certain purchases made by customers of the Group with the use of the AEON Card, the AEON JUSCO Card, the AEON JUSCO Mastercard, AEON JUSCO American Express Card and certain purchases which are financed by interest-free hire purchase credit facilities provided by ACS to customers of the Group. On 28 June 2002, The Stock Exchange of Hong Kong Limited ("the Stock Exchange") has granted a conditional waiver to the Company from strict compliance with the disclosure requirements as stipulated in Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") in connection with the transactions subject to certain conditions.

The total amount of commission paid and payable by the Group for the year ended 28 February 2003 was approximately HK\$18,179,000. This amount has not exceeded 1 per cent. of the audited consolidated turnover of the Group as required by the Stock Exchange. In the opinion of an independent non-executive director, these transactions or the terms of the respective agreements governing such transactions were entered into in the ordinary and usual course of the business of the Group on normal commercial terms and in accordance with the terms of the respective agreements and are fair and reasonable so far as the shareholders of the Company are concerned.

Directors' Interests in Contracts of Significance and Connected Transactions (continued)

- (iv) ACS and the Group have entered into a number of licence agreements under which ACS pays to the Group a fixed monthly rental in respect of service counters, cash dispensing machines and cash repayment machines operated by ACS in the stores of the Group. On 27 November 1998, the Stock Exchange has granted a conditional waiver to the Company for strict compliance with the disclosure requirements as stipulated in Rule 14.25(1) of the Listing Rules in connection with the transactions subject to certain conditions. The total amount of rentals paid and payable by ACS for the year ended 28 February 2003 was approximately HK\$7,156,000. This amount has not exceeded the higher of HK\$10,000,000 or 3 per cent. of the book value of the audited consolidated net tangible assets of the Company as required by the Stock Exchange. In the opinion of the independent non-executive directors, these transactions or the terms of the respective licence agreements governing such transactions were entered into in the ordinary and usual course of the business of the Group on normal commercial terms and in accordance with the terms of the respective licence agreements and are fair and reasonable so far as the shareholders of the Company are concerned.

Other than as disclosed above, no contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholders

At 28 February 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had a direct or indirect interest of 10 per cent. or more in the issued share capital of the Company:

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

Note: 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 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 that there is any shareholder which is directly or indirectly interested in any other interests representing 10 per cent. or more in the issued share capital of the Company as at 28 February 2003.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiaries, its ultimate holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK\$1,225,000.

Compliance with Code of Best Practice

The Company has complied throughout the year ended 28 February 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board



Kazumasa ISHII

Managing Director

Hong Kong, 16 May 2003

Report of the Auditors

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF JUSCO STORES (HONG KONG) CO., LIMITED

吉之島(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 21 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 16 May 2003

Consolidated Income Statement

For the year ended 28 February 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover		3,961,113	3,720,924
Other operating income		213,529	213,421
Investment income	5	4,835	5,147
Changes in inventories		(2,882,029)	(2,673,153)
Staff costs		(380,418)	(362,016)
Depreciation		(90,199)	(85,140)
Loss on disposal of property, plant and equipment		(440)	(2,824)
Pre-operating expenses	6	(14,180)	(4,206)
Impairment loss on property, plant and equipment	7	–	(12,000)
Other operating expenses		(729,149)	(685,680)
Profit from operations	8	83,062	114,473
Finance costs	9	(23)	(125)
Profit from ordinary activities before taxation		83,039	114,348
Income tax expenses	12	(29,718)	(31,931)
Profit before minority interest		53,321	82,417
Minority interest		3,575	(5,459)
Net profit for the year		56,896	76,958
Dividends	13	24,700	39,000
Earnings per share	14	21.88 cents	29.60 cents

Consolidated Balance Sheet

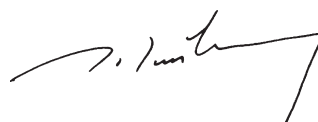
At 28 February 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current Assets			
Property, plant and equipment	15	407,978	398,838
Investment securities	17	3,936	3,936
		411,914	402,774
Current Assets			
Inventories		328,485	269,853
Trade receivables	18	5,530	6,057
Other receivables, prepayments and deposits		125,588	118,768
Amount due from a fellow subsidiary	19	14,304	19,685
Bank balances and cash		409,431	354,854
		883,338	769,217
Current Liabilities			
Trade payables	20	577,857	508,569
Other payables and accrued charges		205,058	197,078
Amounts due to fellow subsidiaries	21	8,819	3,939
Amount due to ultimate holding company	22	27,921	23,640
Obligations under a finance lease	23	200	–
Taxation		9,599	17,355
Dividend payable		97	86
		829,551	750,667
Net Current Assets		53,787	18,550
		465,701	421,324
Capital and Reserves			
Share capital	24	52,000	52,000
Share premium and reserves		374,646	342,837
		426,646	394,837
Minority Interest		38,504	26,487
Non-current Liabilities			
Obligations under a finance lease	23	551	–
		465,701	421,324

The financial statements on pages 21 to 47 were approved and authorised for issue by the Board of Directors on 16 May 2003 and are signed on its behalf by:



Kazumasa ISHII
Director



WONG Mun Yu
Director

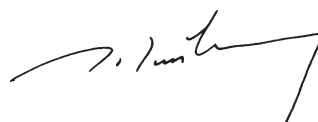
Balance Sheet

At 28 February 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current Assets			
Property, plant and equipment	15	281,876	340,478
Investments in subsidiaries	16	64,935	31,227
Investment securities	17	3,936	3,936
		350,747	375,641
Current Assets			
Inventories		285,368	256,666
Trade receivables	18	4,372	4,664
Other receivables, prepayments and deposits		101,282	101,996
Amounts due from subsidiaries		15,643	7,452
Amount due from a fellow subsidiary	19	14,304	19,685
Bank balances and cash		254,425	226,561
		675,394	617,024
Current Liabilities			
Trade payables	20	411,827	410,102
Other payables and accrued charges		156,804	170,733
Amounts due to fellow subsidiaries	21	8,797	3,939
Amount due to ultimate holding company	22	27,921	23,640
Taxation		6,464	13,114
Dividends payable		97	86
		611,910	621,614
Net Current Assets (Liabilities)			
		63,484	(4,590)
		414,231	371,051
Capital and Reserves			
Share capital	24	52,000	52,000
Share premium and reserves	25	362,231	319,051
		414,231	371,051



Kazumasa ISHII
Director



WONG Mun Yu
Director

Consolidated Statement of Changes in Equity

For the year ended 28 February 2003

	Share capital	Share premium	Translation reserve	PRC statutory reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2001	52,000	63,158	(588)	705	240,967	356,242
Exchange differences arising on translation of overseas operations not recognised in the income statement	–	–	637	–	–	637
Profit for the year	–	–	–	–	76,958	76,958
Transfer, net of minority interest's share	–	–	–	159	(159)	–
Dividends	–	–	–	–	(39,000)	(39,000)
At 28 February 2002	52,000	63,158	49	864	278,766	394,837
Exchange differences arising on translation of overseas operations not recognised in the income statement	–	–	(387)	–	–	(387)
Profit for the year	–	–	–	–	56,896	56,896
Transfer, net of minority interest's share	–	–	–	964	(964)	–
Dividend	–	–	–	–	(24,700)	(24,700)
At 28 February 2003	52,000	63,158	(338)	1,828	309,998	426,646

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

Consolidated Cash Flow Statement

For the year ended 28 February 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit from operations	83,062	114,473
Adjustment for:		
Investment income	(4,835)	(5,147)
Depreciation	90,199	85,140
Loss on disposal of property, plant and equipment	440	2,824
Impairment loss on property, plant and equipment	–	12,000
Operating cash flow before movement in working capital	168,866	209,290
Increase in inventories	(58,590)	(42,440)
Decrease (increase) in trade receivables	531	(1,129)
Increase in other receivables, prepayments and deposits	(6,765)	(9,189)
Decrease (increase) in amount due from a fellow subsidiary	5,381	(2,742)
Increase in trade payables	68,968	32,469
Increase in other payables and accrued charges	9,799	19,392
Increase (decrease) in amounts due to fellow subsidiaries	4,880	(864)
Increase in amount due to ultimate holding company	4,281	2,686
Cash generated from operations	197,351	207,473
Hong Kong Profits Tax paid	(26,496)	(4,263)
People's Republic of China income taxes paid	(10,982)	(16,216)
Interest paid	(23)	(125)
Interest received	4,342	4,654
NET CASH GENERATED FROM OPERATING ACTIVITIES	164,192	191,523
INVESTING ACTIVITIES		
Dividends received from listed investment securities	493	493
Purchase of property, plant and equipment	(100,707)	(78,286)
Proceeds from disposal of property, plant and equipment	17	76
NET CASH USED IN INVESTING ACTIVITIES	(100,197)	(77,717)
FINANCING ACTIVITIES		
Dividends paid	(24,689)	(38,986)
Dividends paid to minority shareholder	(2,370)	(2,142)
Repayment of obligations under a finance lease	(51)	–
Contributions from a minority shareholder	18,151	–
NET CASH USED IN FINANCING ACTIVITIES	(8,959)	(41,128)
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,036	72,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	354,854	280,691
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(459)	1,485
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	409,431	354,854
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	409,431	354,854

Notes to the Financial Statements

For the year ended 28 February 2003

1. General

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is AEON Co., Ltd., incorporated and listed in Japan.

The principal activities of the Group are the operation of general merchandise stores.

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in the presentation of a statement of changes in equity and a change in the format of presentation of the cash flow statement, 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 translation 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.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

In the current year, the Company has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. Significant Accounting Policies

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 28 February each year.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

Turnover

Turnover represents the invoiced value of goods, net of discounts, sold to customers during the year.

Revenue recognition

Sales are recognised when goods are sold.

Rentals received from licensees are recognised on a straight line basis over the terms of the relevant licence agreements.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and accumulated impairment losses.

Construction in progress is stated at cost which includes all expenditure incurred for construction of building fixtures, furniture, fixtures and equipment and the direct costs attributable to such assets.

Notes to the Financial Statements

For the year ended 28 February 2003

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress to their estimated residual values in annual instalments over their estimated useful lives. The rates of depreciation used and their estimated residual values are as follows:

	Rate of depreciation	Estimated residual value
Building fixtures	Over the expected useful lives or, where shorter, the term of the relevant lease on a straight line basis	5% – 10% of cost
Furniture, fixtures and equipment	15% per annum over the first 5 years and 20% in the 6th year or $6\frac{2}{3}\%$ – 25% per annum	Nil – 10% of cost
Motor vehicles	22.5% per annum over the first 3 years and 27.5% in the 4th year or 20% per annum	5% – 10% of cost

In respect of construction in progress, depreciation will be provided when the construction is completed and ready for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

All capital expenditure on items costing under HK\$5,000 is charged to the income statement in the year of occurrence.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. Significant Accounting Policies (continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease and contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Investments in securities

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost, as reduced by any impairment loss that is other than temporary.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, which represent merchandises held for resale, are stated at the lower of cost and net realisable value and is computed using the retail price method.

Notes to the Financial Statements

For the year ended 28 February 2003

3. Significant Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences, if any, are classified as equity and transferred to Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Retirement benefit scheme

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

4. 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 by location and market is presented below.

2003

	Year ended 28 February 2003			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
Total revenue	3,224,259	736,854	–	3,961,113
RESULT				
Profit from operations	79,519	3,543	–	83,062
Finance costs	(23)	–	–	(23)
Profit from ordinary activities before taxation	79,496	3,543	–	83,039
Income tax expenses	(19,846)	(9,872)	–	(29,718)
Profit (loss) before minority interest	59,650	(6,329)	–	53,321

	At 28 February 2003			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET				
ASSETS				
Consolidated total assets	961,206	349,689	(15,643)	1,295,252
LIABILITIES				
Segment liabilities	605,446	229,949	(15,643)	819,752
Unallocated corporate liabilities				10,350
Consolidated total liabilities				830,102

Notes to the Financial Statements

For the year ended 28 February 2003

4. Business and Geographical Segments (continued)

Geographical segments (continued)

	Year ended 28 February 2003		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
OTHER INFORMATION			
Capital additions	10,629	88,979	99,608
Depreciation	68,810	21,389	90,199
Loss on disposal of property, plant and equipment	404	36	440

2002

	Year ended 28 February 2002			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
Total revenue	3,177,714	543,210	–	3,720,924
RESULT				
Profit from operations	78,668	35,805	–	114,473
Finance costs	(125)	–	–	(125)
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

4. Business and Geographical Segments (continued)**Geographical segments (continued)**

2002

	At 28 February 2002			
	Hong Kong	PRC	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
BALANCE SHEET				
ASSETS				
Consolidated total assets	961,438	218,005	(7,452)	1,171,991
LIABILITIES				
Segment liabilities	608,500	132,264	(7,452)	733,312
Unallocated corporate liabilities				17,355
Consolidated total liabilities				750,667

	Year ended 28 February 2002		
	Hong Kong	PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION			
Capital additions	56,116	19,751	75,867
Depreciation	71,434	13,706	85,140
Loss on disposal of property, plant and equipment	2,479	345	2,824
Impairment losses recognised in income	12,000	–	12,000

Business segments

No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

5. Investment Income

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Dividend income from listed investment securities	493	493
Interest income from bank deposits	4,342	4,654
	4,835	5,147

Notes to the Financial Statements

For the year ended 28 February 2003

6. Pre-operating Expenses

Included in pre-operating expenses are also staff costs of HK\$5,196,000 (2002: HK\$1,773,000).

7. Impairment Loss on Property, Plant and Equipment

The impairment loss in the prior year was estimated with reference to the value in use of certain stores in which the building fixtures are located using discount rates based on the cost of capital of the Group.

8. Profit from Operations

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,430	1,158
Depreciation		
– owned assets	90,152	85,140
– assets under a finance lease	47	–
	90,199	85,140
Operating lease rentals in respect of		
Rented premises		
– Minimum lease payments	354,195	323,419
– Contingent rent (note)	11,254	8,098
Rented furniture, fixtures and equipment	–	1,600
	365,449	333,117
Retirement benefits scheme contributions, net of forfeited contributions of HK\$665,000 (2002: HK\$1,460,000)	12,965	13,432
Royalties payable to the ultimate holding company	26,363	22,868
Rentals received from licensees		
– minimum lease payments	(153,918)	(150,008)
– contingent rent (note)	(33,358)	(41,724)
	(187,276)	(191,732)

Notes: Contingent rent payments are calculated based on the excess of a percentage of turnover of the relevant operation that occupied the premises over the minimum lease payments as stated in the relevant rental agreements.

9. Finance Costs

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	23	125

10. Directors' Emoluments

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Directors' fees:		
Executive	120	120
Non-executive	793	1,301
	913	1,421
Other emoluments:		
Executive		
Salaries and other benefits	7,226	7,656
Contributions to retirement benefits scheme	128	125
Non-executive	–	–
Total emoluments	8,267	9,202

The amounts disclosed above include directors' fees of HK\$380,000 (2002: HK\$380,000) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	No. of directors	
	2003	2002
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	1
	11	12

Notes to the Financial Statements

For the year ended 28 February 2003

11. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2002: five) were directors of the Company whose emoluments are included in the disclosures in note 10 above.

12. Income Tax Expenses

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	19,745	17,100
Underprovision in previous years	101	–
	19,846	17,100
PRC income tax	9,872	14,831
	29,718	31,931

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

Details of the potential deferred tax credit not recognised for the year are set out in note 27.

13. Dividends

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Final dividend in respect of 2002 of 9.5 HK cents (2001: 13.0 HK cents) per share	24,700	33,800
Interim dividend paid of Nil HK cents (2002: 2.0 HK cent) per share	–	5,200
	24,700	39,000

The final dividend of 9.0 HK cents per ordinary share of HK\$23,400,000 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. Earnings Per Share

The calculation of earnings per share is based on the Group's net profit for the year of HK\$56,896,000 (2002: HK\$76,958,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the year.

15. Property, Plant and Equipment

	Building fixtures	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
COST					
At 1 March 2002	565,029	212,242	2,726	11,508	791,505
Translation adjustments	209	55	6	37	307
Additions	33,762	31,917	1,241	32,688	99,608
Transfer	37,585	3,969	–	(41,554)	–
Disposals	–	(809)	–	–	(809)
At 28 February 2003	636,585	247,374	3,973	2,679	890,611
DEPRECIATION					
At 1 March 2002	262,989	128,389	1,289	–	392,667
Translation adjustments	94	22	3	–	119
Provided for the year	61,881	27,802	516	–	90,199
Eliminated on disposals	–	(352)	–	–	(352)
At 28 February 2003	324,964	155,861	1,808	–	482,633
NET BOOK VALUES					
At 28 February 2003	311,621	91,513	2,165	2,679	407,978
At 28 February 2002	302,040	83,853	1,437	11,508	398,838

Notes to the Financial Statements

For the year ended 28 February 2003

15. Property, Plant and Equipment (continued)

	Building fixtures	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY					
COST					
At 1 March 2002	500,508	195,415	988	–	696,911
Additions	3,206	7,035	–	388	10,629
Transfer	260	80	–	(340)	–
Disposals	–	(470)	–	–	(470)
At 28 February 2003	503,974	202,060	988	48	707,070
DEPRECIATION					
At 1 March 2002	234,383	121,711	339	–	356,433
Provided for the year	46,163	22,465	182	–	68,810
Eliminated on disposals	–	(49)	–	–	(49)
At 28 February 2003	280,546	144,127	521	–	425,194
NET BOOK VALUES					
At 28 February 2003	223,428	57,933	467	48	281,876
At 28 February 2002	266,125	73,704	649	–	340,478

The net book values of furniture, fixtures and equipment include an amount of HK\$755,000 (2001: Nil) in respect of assets held under a finance lease.

16. Investments in Subsidiaries

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	64,935	31,227

Particulars of the subsidiaries at 28 February 2003 are as follows:

Name	Form of business structure	Place of registration/ operation	Paid up registered capital	Proportion of registered capital held by the Group	Principal activities
Guangdong Jusco Teem Stores Co., Ltd. ("GDJ")	Equity joint venture	PRC	RMB51,700,000	65%	General merchandise stores
Shenzhen Jusco Friendship Stores Co., Ltd.	Equity joint venture	PRC	RMB55,000,000	65%	General merchandise stores

GDJ has entered into agreements with a PRC party to operate department stores in the PRC. All transactions were carried out in the name of the PRC party. Under the agreements, GDJ is to bear the entire risks and liabilities of those department stores. GDJ will be entitled to 100% of the net profit after deducting a fixed annual amount paid to the PRC party.

At the balance sheet date, the aggregate amount of assets, liabilities and turnover recognised in the financial statements in relation to the operations are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Assets	86,909	36,492
Liabilities	102,198	48,107
Turnover	282,636	156,610

Notes to the Financial Statements

For the year ended 28 February 2003

17. Investment Securities

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Equity securities:		
Listed shares in Hong Kong, at cost	2,196	2,196
Debt securities:		
Unlisted club debenture, at cost	1,740	1,740
	3,936	3,936
Market value of listed securities	9,933	12,109

The listed securities detailed above represent an investment in a fellow subsidiary.

18. 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:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within due dates	3,885	3,803	3,552	2,410
Overdue under 30 days	985	145	160	145
Overdue over 30 days	660	2,109	660	2,109
	5,530	6,057	4,372	4,664

19. Amount due from a Fellow Subsidiary**THE GROUP AND THE COMPANY**

The amount is unsecured, non-interest bearing and is repayable on demand.

20. Trade Payables

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within due dates	526,964	466,312	385,885	384,843
Overdue under 30 days	22,737	16,302	6,224	4,947
Overdue over 30 days	28,156	25,955	19,718	20,312
	577,857	508,569	411,827	410,102

21. Amounts due to Fellow Subsidiaries**THE GROUP AND THE COMPANY**

The amounts are unsecured, non-interest bearing and are repayable on demand.

22. Amount due to Ultimate Holding Company**THE GROUP AND THE COMPANY**

The amount is unsecured, non-interest bearing and is repayable on demand.

Notes to the Financial Statements

For the year ended 28 February 2003

23. Obligations under a Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under a finance lease:				
Within one year	200	–	200	–
In the second to fifth years inclusive	551	–	551	–
	751	–	751	–
Less: future finance charges	–	–	–	–
Present value of lease obligations	751	–	751	–
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(200)	–
Amounts due for settlement after 12 months			551	–

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The lease term is 4 years. The lease is interest free, on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. Share Capital

	2003 & 2002 HK\$'000
Authorised:	
350,000,000 ordinary shares of HK\$0.20 each	70,000
Issued and fully paid:	
260,000,000 ordinary shares of HK\$0.20 each	52,000

25. Share Premium and Reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY			
At 1 March 2001	63,158	227,213	290,371
Profit for the year	–	67,680	67,680
Dividends	–	(39,000)	(39,000)
At 28 February 2002	63,158	255,893	319,051
Profit for the year	–	67,880	67,880
Dividend	–	(24,700)	(24,700)
At 28 February 2003	63,158	299,073	362,231

The Company's reserves available for distribution to shareholders as at 28 February 2003 represented the retained profits of HK\$299,073,000 (2002: HK\$255,893,000).

26. Major Non-Cash Transactions

Included in other payables and accrued charges as at 28 February 2003 is an amount of HK\$708,000 (2002: HK\$2,609,000) in respect of the purchase of property, plant and equipment not yet paid at that date.

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$802,000 (2002: Nil).

27. Deferred Taxation

At the balance sheet date, the major components of unprovided deferred taxation asset were as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:				
Shortfall of tax allowances over accounting depreciation	(9,572)	(6,217)	(9,572)	(6,217)
Tax losses arising	(4,832)	–	–	–
Other timing differences	(4,317)	(2,699)	(358)	677
Net deferred taxation asset	(18,721)	(8,916)	(9,930)	(5,540)

Notes to the Financial Statements

For the year ended 28 February 2003

27. Deferred Taxation (continued)

The deferred taxation asset has not been recognised in the financial statements as it is not certain that the deferred taxation asset will crystallise in the foreseeable future.

The amount of the unprovided deferred taxation (credit) charge for the year is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and accounting depreciation	(3,355)	(4,903)
Tax losses arising	(4,832)	–
Other timing differences	(1,618)	1,911
	(9,805)	(2,992)

28. Capital Commitments

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	2,662	13,783	–	–
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	–	50,967	–	–
	2,662	64,750	–	–
Capital contribution to a subsidiary contracted for but not provided in the financial statements	–	33,069	–	33,069

29. Operating Lease Arrangements

The Group and the Company as lessee:

At the balance sheet date, the Group and the Company had outstanding commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases, which fall due as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	366,340	345,107	283,802	300,710
In the second to fifth year inclusive	1,323,223	1,344,810	1,036,106	1,136,222
Over five years	1,001,062	1,131,664	815,594	1,056,551
	2,690,625	2,821,581	2,135,502	2,493,483

In addition to the above, twelve (2002: nine) of the leases of the Group and nine (2002: eight) of the leases of the Company are each subject to contingent rents based on a fixed percentage of the annual gross turnover and receipts in excess of the minimum lease payments.

Operating lease payments represent rentals payable by the Group for its stores and staff quarters. Leases of stores are negotiated for terms ranging from one to ten years and rentals are fixed for one to three years. Leases of staff quarters are negotiated for fixed terms of two years and rentals are fixed for one to two years.

The Group and the Company as lessor:

At the balance sheet date, the Group and the Company had contracted with licensees for floor areas in the stores for the following future minimum lease payments under non-cancellable operating leases for each of the following period:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	114,818	94,164	109,753	93,881
In the second to fifth year inclusive	53,570	39,560	47,031	39,486
	168,388	133,724	156,784	133,367

The leases are negotiated for terms ranging from one to six years. In addition to the minimum lease payments, the Group and the Company are entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

Notes to the Financial Statements

For the year ended 28 February 2003

30. Retirement Benefits Schemes

The Company operating in Hong Kong has participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year are charged to the income statement for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions charged to the income statement represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiary is required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years was approximately HK\$35,000 (2002: HK\$73,000).

31. Related Party Transactions

During the year, the Group entered into the following transactions with related parties:

Nature of transaction		2003	2002
		HK\$'000	HK\$'000
Fellow subsidiaries	Commission expenses	18,179	20,388
	Purchase of goods	43,004	37,131
	Rental income from licensees	7,156	7,627
Ultimate holding company	Royalty expenses	26,363	22,868
Minority shareholders of the subsidiaries	Rental expenses and management fees	36,720	29,370

31. Related Party Transactions (continued)

Commission expenses were in respect of certain purchases made by customers of the Group and certain purchases which are financed by interest-free hire purchase credit facilities provided by a fellow subsidiary to customers of the Group. The amount was charged at the commission rate on the purchases in accordance with the relevant commission agreements.

Purchase of goods, rental expenses and management fees were carried out on the basis of estimated market value or at terms determined and agreed by both parties. In respect of rental expenses, in addition to the monthly fixed rentals, contingent rent is charged at a fixed percentage of the annual gross turnover and receipts in excess of a specified minimum amount as stated in the relevant rental agreements.

Rental income from licensees was in respect of service counters, cash dispensing machines and cash repayment machines operated by a fellow subsidiary in the stores of the Group. The amount was charged at a monthly rental in accordance with the relevant licence agreements.

Royalty expenses were charged at a fixed percentage on the adjusted gross profit of a store or a fixed rate on the floor area of the other stores in accordance with a technical assistance agreement.

During the year, the Group received dividend income amounting to HK\$493,000 (2002: HK\$493,000) from a fellow subsidiary which was based on the percentage of equity interests in that fellow subsidiary.

In addition to the above, the Group has donated HK\$848,000 (2002: HK\$674,000) to AEON JUSCO Education and Environment Fund Limited ("the Fund") of which the Company is a member of the Fund. The Fund is a company limited by guarantee and not having a share capital, established in co-operation with AEON Credit Service (Asia) Company Limited on 18 February 1998. The objective of the Fund is to promote environmental protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the PRC. The Group donates 1 per cent. of the Company's preceding year-end profit before taxation to the Fund every year.

Outstanding balances as at the balance sheet date arising from the above transactions with related parties were as set out in the consolidated balance sheet except for the following balance, which is included in other receivables, prepayments and deposits:

	2003 HK\$'000	2002 HK\$'000
Amounts due from minority shareholders of the subsidiaries	11,586	10,937

Five-Year Summary

	For the year ended				28 February 2003 HK\$'000
	28 February 1999 HK\$'000	29 February 2000 HK\$'000	28 February 2001 HK\$'000	28 February 2002 HK\$'000	
	RESULTS				
Turnover	2,765,658	3,277,382	3,394,484	3,720,924	3,961,113
(Loss) profit from operations	(7,960)	53,806	102,715	114,473	83,062
Finance costs	(6,232)	(5,898)	(1,213)	(125)	(23)
Gain on dilution of interest in a subsidiary	–	1,682	–	–	–
(Loss) profit from ordinary activities before taxation	(14,192)	49,590	101,502	114,348	83,039
Income tax expenses	(9,700)	(10,489)	(2,105)	(31,931)	(29,718)
(Loss) profit before minority interest	(23,892)	39,101	99,397	82,417	53,321
Minority interest	612	(6,585)	(7,161)	(5,459)	3,575
Net (loss) profit for the year	(23,280)	32,516	92,236	76,958	56,896
	At				
	28 February 1999 HK\$'000	29 February 2000 HK\$'000	28 February 2001 HK\$'000	28 February 2002 HK\$'000	28 February 2003 HK\$'000
ASSETS AND LIABILITIES					
Total assets	1,083,404	930,694	1,065,452	1,171,991	1,295,252
Total liabilities	(836,098)	(636,902)	(686,365)	(750,667)	(830,102)
Minority interest	(2,053)	(16,055)	(22,845)	(26,487)	(38,504)
Shareholders' funds	245,253	277,737	356,242	394,837	426,646

Note: The summary of assets and liabilities for the Group at 29 February 2000 and 28 February 2001 has been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 9 (Revised) in respect of dividend proposed or declared after the balance sheet date.