Financial Review

For the year ended 31 December 2003, our Group recorded a turnover of HK$836.0 million as compared to HK$889.9 million the year before, reflecting the level of difficulties we encountered in 2003. Under the austere economic conditions, sales for the first half of the year dropped by 16.7% compared with the corresponding period of the previous year. As the retail market gradually recovered in the second half of the year, our Group's retail business also benefited and narrowed the gap resulting from the decline in the sales during the outbreak of SARS at the beginning of the year to a slight decline of 6.1% in sales for the whole year. To remain competitive in the market amid the difficult business environment, we pursued our cost leadership strategy by implementing appropriate cost reduction measures and by seeking concessions from suppliers. With these combined efforts against the difficult business environments, the net loss for the year was substantially reduced to HK$29.9 million from HK$96.9 million for the year before.

Taking into account the reported loss for the year, our Group's total shareholders' equity stood at HK$182.3 million as at 31 December 2003. Our cash and bank balances increased to HK$217.9 million at the year end, an increase of HK$70.8 million compared with the prior year end. The increase in the cash and bank balances was due to tightening of our working capital control throughout the year. Our liquidity ratio remained healthy at 1.3 times at the year end as compared 1.2 times on 31 December 2002.

Our total bank borrowings on 31 December 2003 were HK$88.2 million as compared to HK$58.9 million the year before. The increase in bank borrowings were used in financing the renovation in our Group's several flagship shops to further enhance their shopping environments for our customers. All of our bank borrowings are either in HK dollar or US dollar, with the interest rates priced at close to banks' funding costs. By using effective instrument to hedge any adverse changes in interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. We have sufficient banking facilities for its operations even at the peak seasons for the whole year. On 31 December 2003, our Group's listed investment securities were valued at HK$12.6 million and a loss on investment of HK$4.4 million was recorded for the year.

As at 31 December 2003, our leasehold properties at their carrying value of approximately HK$36.0 million and bank deposits of HK$20.0 million were pledged to secure bank term loan and general banking facilities granted to a subsidiary. Save as aforesaid, we have no other material contingent liabilities at the year end.

Financial review

In April 2003, we entered into an agreement whereby its wholly owned subsidiary, the principal activities of which are retailing and trading branded skincare and cosmetic products, was sold to a fellow subsidiary owned by our major shareholder at a price equal to its then net asset value. Save as aforesaid, we did not make any material acquisitions or disposals during the year.

There was no significant investment held during the year and we do not have any future plans for material investments or capital assets.