

## CEO's Statement

In another year bringing its full share of challenges for the Group, we have remained committed to our core development plans involving the diversification of our markets and our products. The value of these goals has been re-emphasised by the events of the year, with the SARS crisis in particular highlighting the potential vulnerability of businesses too greatly reliant on a single product or market. Hence, although the Group was unable to achieve the levels of profitability we would have liked over the year, our progress towards diversification remained on track, and by the end of the 2002-2003 financial year we had taken major steps towards becoming widely established in the Mainland China (the "PRC"). I believe that the Group is now exceptionally well-placed to take advantage of that rapidly maturing market, particularly with the recent CEPA arrangements giving new advantages to Hong Kong-based businesses operating in the PRC.

The Group has moved quickly in the China market because it believes in the importance of being a "first mover" in a market ripe for rapid expansion. By quickly setting up a network of outlets and supplemented by a comprehensive franchise programme, the Group is constructing a presence and a distribution network that later competitors will be hard-pressed to match. Further, by acting quickly at this stage we are helping to raise effective entry barriers against future competitors.

Closer to home, the Group's careful development of its series of Oasis Beauty centres is proving to be an astute move, as these centres continue to attract a strong clientele and lay claim to a genuine niche in the market. By providing a competitively-priced service while promoting  $\sim\text{H}_2\text{O}\cdot$  products at the same time, the Group is obtaining added value from these operations. The Group has now gained valuable experience in the beauty market, and the fruits of this experience can be seen in our recent venture into providing beauty treatment for men, a move which continues the pioneering trend of the original Oasis Beauty venture.

The 2002-2003 year brought more than its share of difficulties, impacting on retail and other sectors across the board. The sign of a healthy and forward-looking business is that it can ride short-term crises, working from a base of fundamental economic stability and developing strategies for coping with and indeed taking advantage of negative situations. I believe that over the past year the Group has shown itself to be just such a business. Moving quickly to limit the inevitable impact of recession and SARS, continuing in its pursuit of well-defined strategies of diversification, and innovating where appropriate to take advantage of shifts in public preferences, the Group has ridden out one of the toughest years on record. It stands now extremely well-placed to build on its achievements in the year to come, and is looking forward to a period of consolidation and growth.



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YU Lai Si  
Executive Director and Chief Executive Officer

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