

**Leveraging on our  
Human Capital to  
Grow our  
Multi-faceted  
Business**

**Banke Kwan**  
*Chairman & CEO*



## Chairman's Letter

Dear fellow shareholders,

It gives me great pleasure to present our 2003 annual results.

Last year we had greater difficulties than 2002. However, it was also a year when our previous hard work in costs rationalisation, re-engineering as well as explorations into new business areas began to bear fruit.

The first half of 2003 saw the glimmer of hope of an economic recovery disappear as a result of the outbreaks of the Iraqi War and the severe acute respiratory syndromes (SARS) epidemic.

The resulting drop in consumer confidence and hence consumer spending created unprecedented difficult retail and investment environment. All economic figures indicated a more depressed than ever Hong Kong economy. Total retail sales for the first half of 2003 recorded a year-on-year drop by 6.7% in value and 4.2% in volume; total number of first hand and second hand residential transactions dropped by more than 37% in value and 30% in volume in the first half of 2003; and Composite Consumer Price Index for June 2003 declined by 3.1%. Further, in May to July, unemployment had reached its record level of 8.7%. Consumer sentiments had hence declined to a new low.

Needless to say, all our businesses suffered as a consequence. Even though the economy began to recover, with retail sales improving by 6.8% in value and 5.8% in volume in December 2003; and the Composite Consumer Price Index narrowed to a 1.9% drop in December 2003; the impact of the SARS epidemic nonetheless impacted unfavourably on our overall performance.

However, despite the difficulties, we are happy to report that by the end of the year, our financial services business returned to profitability, while our retail business narrowed the gap resulting from the decline in turnover during the SARS period. Thanks to the conclusion of the Closer Economic Partnership Agreement (CEPA) and the implementation of the Mainland individual visitor scheme, the local economy rebounded vigorously during the second half of the year. Further, we made significance in roads into developing our international business – a move that will decrease the negative effects from future local economic downturn.

Moving forward, we will maintain our philosophy to grow our business through growing our human capital. Our aim, over the next three years, is to develop Cosmos Global, Halo and Pricerite into international businesses with their own respective category specialisation.

On behalf of our shareholders and my fellow board members, I would like to extend our heartfelt thanks to our excellent management team and diligent employees for their support and dedication, whose hard work contribute much to our solid foundation for the Group's future growth, and thus creating long-term shareholder values.

Yours sincerely,



**Bankee P Kwan**  
Chairman & CEO