BONJOUR

Bonjour Holdings Limited
卓悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007

RESULTS

The board of directors (the "Directors") of Bonjour Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December 2007 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	3	**1,209,816**	1,098,333
Cost of goods sold		**(687,418)**	(658,864)
Gross profit		**522,398**	439,469
Other income	4	**11,081**	12,031
Distribution costs		**(33,713)**	(39,648)
Administrative expenses		**(412,699)**	(403,807)
Other operating expenses		**(1,023)**	(1,204)
Profit from operations		**86,044**	6,841
Finance costs	5	**(1,085)**	(2,334)
Share of profits of an associate		**255**	140
Profit before tax		**85,214**	4,647
Income tax expense	6	**(13,958)**	(806)
Profit for the year	7	**71,256**	3,841
Attributable to:			
Equity holders of the Company		**71,256**	4,801
Minority interests		**–**	(960)
		71,256	3,841
Dividends	8	**54,812**	–
Earnings per share	9		
Basic		**HK30.7 cents**	HK2.1 cents
Diluted		**HK30.5 cents**	HK2.1 cents

CONSOLIDATED BALANCE SHEET

At 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**32,362**	41,633
Prepaid land lease payments		**1,560**	1,586
Goodwill		**1,890**	1,890
Investment in an associate		**3,115**	2,860
Rental and utility deposits		**22,830**	33,169
Deferred tax assets		**4,775**	8,567
		66,532	89,705
Current assets			
Inventories		**119,788**	114,937
Trade receivables	*10*	**11,970**	7,698
Rental and utility deposits		**20,491**	10,630
Prepayments, deposits and other receivables		**15,427**	11,967
Due from an associate		**4,088**	2,632
Current tax recoverable		**81**	1,151
Bank and cash balances		**122,476**	29,636
		294,321	178,651
Current liabilities			
Trade payables	*11*	**98,544**	87,949
Other payables, deposits received and accrued charges		**42,604**	33,023
Deferred revenue		**35,753**	40,083
Current portion of long-term bank borrowings		**178**	168
Short-term bank borrowings		**–**	21
Trust receipt loans		**18,740**	18,322
Bank overdrafts		**508**	6,691
Finance lease payables		**148**	102
Current tax liabilities		**8,708**	1,430
		205,183	187,789
Net current assets/(liabilities)		**89,138**	(9,138)
Total assets less current liabilities		**155,670**	80,567

	Note	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Long-term bank borrowings		**334**	513
Finance lease payables		**305**	247
Long service payment liabilities		**354**	231
		993	991
NET ASSETS		**154,677**	79,576
Capital and reserves			
Share capital		**2,340**	2,256
Reserves		**152,337**	77,320
TOTAL EQUITY		**154,677**	79,576

Note:

1. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1st January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its result of operations and financial position.

2. Basis of preparation

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

3. Turnover and segment information

(a) Turnover

The Group is principally engaged in the retail and wholesale of beauty and health-care products and operation of beauty and health salons in Hong Kong and Macau. Revenues recognised during the year are as follows:

	2007 HK$'000	2006 HK$'000
Sales of merchandise	**1,076,492**	986,882
Service income of beauty treatment services	**101,878**	73,693
Recognition of service income attributable to expired prepaid packages	**16,558**	22,772
Commission income	**14,888**	14,986
	1,209,816	1,098,333

(b) Segment information

The Group's principal operation is organised into two business segments including (i) wholesaling and retailing of beauty and health-care products and (ii) operation of beauty and health salons.

The segment information for the year ended 31st December 2007 are as follows:

	Wholesaling and retailing of beauty and health-care products *HK$'000*	Operation of beauty and health salons *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue				
Turnover				
External revenue	**1,091,380**	**118,436**	**–**	**1,209,816**
Inter segment revenue	**1,128**	**–**	**(1,128)**	**–**
	1,092,508	**118,436**	**(1,128)**	**1,209,816**
Segment results	**59,373**	**15,590**		**74,963**
Other income				**11,081**
Share of profits of an associate	**255**	–	–	**255**
Profit from operations				**86,299**
Finance costs				**(1,085)**
Profit before tax				**85,214**
Income tax expense				**(13,958)**
Profit for the year				**71,256**
Segment assets	**294,417**	**64,108**	**(18,247)**	**340,278**
Investment in an associate	**3,115**	**–**	**–**	**3,115**
Unallocated corporate assets				**17,460**
Total assets				**360,853**
Segment liabilities	**132,093**	**83,110**	**(18,247)**	**196,956**
Unallocated corporate liabilities				**9,220**
Total liabilities				**206,176**
Other segment information:				
Capital expenditure	**3,150**	**8,000**	**–**	**11,150**
Depreciation and amortisation	**8,668**	**10,826**	**–**	**19,494**
Other non-cash expenses	**2,901**	**937**	**–**	**3,838**

The segment information for the year ended 31st December 2006 are as follows:

	Wholesaling and retailing of beauty and health-care products *HK$'000*	Operation of beauty and health salons *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue				
Turnover				
External revenue	1,001,868	96,465	–	1,098,333
Inter segment revenue	142	–	(142)	–
	1,002,010	96,465	(142)	1,098,333
Segment results	(3,423)	(1,767)		(5,190)
Other income				12,031
Share of profits of an associate	140	–	–	140
Profit from operations				6,981
Finance costs				(2,334)
Profit before tax				4,647
Income tax expense				(806)
Profit for the year				3,841
Segment assets	227,499	39,734	(27,588)	239,645
Investment in an associate	2,860	–	–	2,860
Unallocated corporate assets				25,851
Total assets				268,356
Segment liabilities	141,686	72,572	(27,588)	186,670
Unallocated corporate liabilities				2,110
Total liabilities				188,780
Other segment information:				
Capital expenditure	4,994	11,498	–	16,492
Depreciation and amortisation	10,536	12,207	–	22,743
Other non-cash expenses	2,826	793	–	3,619

No segment information by location of assets and capital expenditure is presented as substantially all the Group's assets are located in Hong Kong. No analysis of turnover and segment results by location of customers is presented as the Group sells substantially all merchandise and provides all services to customers in Hong Kong.

4. Other income

	2007 ***HK$'000***	2006 *HK$'000*
Bank interest income	**455**	207
Rental income	**6,974**	9,252
Other income	**3,652**	2,572
	11,081	12,031

5. Finance costs

	2007 *HK$'000*	2006 *HK$'000*
Interest expense on bank loans and overdrafts	**1,072**	2,325
Finance lease charges	**13**	9
	1,085	2,334

6. Income tax expense

	2007 *HK$'000*	2006 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**10,361**	341
(Over)/under-provision in prior years	**(334)**	8,157
	10,027	8,498
Current tax – Overseas		
Provision for the year	**89**	182
Under/(over)-provision in prior years	**50**	(140)
	139	42
Deferred tax	**3,792**	(7,734)
	13,958	806

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year ended 31st December 2007.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax (excluding share of profits of an associate) multiplied by the Hong Kong Profits Tax rates is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Profit before tax (excluding share of profits of an associate)	**84,959**	4,507
Tax at the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**14,867**	788
Tax effect of income that is not taxable	**(3,236)**	(1,497)
Tax effect of expenses that are not deductible	**495**	489
Tax effect of utilisation of tax losses not previously recognised	**(542)**	(5,246)
Under-provision of deferred tax assets in prior years	**(25)**	(3,226)
Tax effect of unrecongised tax losses	**2,724**	1,614
(Over)/under-provision in prior years	**(284)**	8,017
Effect of different tax rates of subsidiaries	**(41)**	(133)
Income tax expense	**13,958**	806

7. Profit for the year

The Group's profit for the year is stated after charging/(crediting) the following:

	2007 *HK$'000*	2006 *HK$'000*
Auditor's remuneration		
Current year	**900**	1,280
(Over)/under-provision in prior year	**(20)**	60
	880	1,340
Cost of inventories sold	**687,418**	658,864
Write-back of slow-moving inventories	**(163)**	(262)
Deposit paid forfeited	**450**	–
Depreciation	**19,468**	22,717
(Gain)/loss on disposals of property, plant and equipment	**(44)**	1,047
Written off of property, plant and equipment	**827**	724
Net exchange gains	**(392)**	(830)
Operating lease charge for land and buildings	**163,294**	163,468
Staff costs, including directors' emoluments		
Wages and salaries	**174,258**	162,759
Share-based payments	**1,403**	1,693
Retirement benefits scheme contributions	**6,833**	6,798
Provision for unutilised annual leave	**2,312**	358
Provision for/(write-back of) long services payment	**123**	(905)
	184,929	170,703

8. Dividends

	2007 *HK$'000*	2006 *HK$'000*
Interim dividend paid of HK1.6 cents (2006: Nil) per ordinary share	**3,762**	–
Proposed final dividend of HK22.2 cents (2006: Nil) per ordinary share	**51,050**	–
	54,812	–

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$71,256,000 (2006: HK$4,801,000) and the weighted average number of ordinary shares of 231,728,000 (2006: 225,608,000) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$71,256,000 (2006: HK$4,801,000) and the weighted average number of ordinary shares of 233,676,000 (2006: 225,608,000), being the weighted average number of ordinary shares of 231,728,000 (2006: 225,608,000) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,948,000 (2006: Nil) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

10. Trade receivables

The Group's wholesale customers are granted credit terms ranging from 60 to 90 days. The ageing analysis of trade receivables is based on the invoice date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**10,218**	6,542
31 – 60 days	**780**	678
61 – 90 days	**332**	247
91 – 120 days	**640**	231
	11,970	7,698

11. Trade payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**47,694**	34,514
31 – 60 days	**30,609**	32,782
61 – 90 days	**13,499**	13,969
91 – 120 days	**6,742**	6,684
	98,544	87,949

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

Group Review

For the year ended 31st December 2007, our Group recorded a turnover of HK$1,209.8 million (2006: HK$1,098.3 million), representing an annual increase of 10.2%. As in 2006, the growth in turnover was mainly derived from the increased operating efficiency, the overall improvement in local economy and the increase spending of tourists visiting Hong Kong.

While the Group's turnover was growing healthily, the profit attributable to equity holders of the Company was gaining even stronger momentum than ever. It increased 13.9 times to HK$71.3 million (2006: HK$4.8 million) in 2007. Basically, the profit achieved was a record and has surpassed the level before we experienced the loss in 2005, and it is still going strong. This exceptionally surge in the bottom line basically followed the trend that started in the second half of 2006. The rebound was remarkably strong in the second half of 2007 – 71.6% of the profit attributable to equity holders of the Company of the year was generated in this period.

The continued improvement in the gross profit margin was the main drive that pushing the net profit up. The significant improvement in the beauty services division was one of the key factors that boosted the gross margin as well as the net profit. The beauty services division recorded a segment gain of HK$15.6 million (2006: loss of HK$1.8 million).

The Group continued to take the stringent cost control measures during the year. While the administrative expenses increased in line with the increase in turnover, the distribution costs were decreased considerably when compared to that of 2006. As such, the Group's operating efficiency was further enhanced and helped the Group to attain the existing profit level.

Retail and Wholesale Division

The retail and wholesale business contributed a turnover of HK$1,091.4 million in 2007 (2006: HK$1,001.9 million), representing an annual increase of 8.9%. The turnover of the second half amounted to HK$557.9 million (2006: HK$506.7 million) with an increase of 10.1% compared to the same corresponding six-month period. The number of retail outlets was remained the same, so the growth was derived mainly from the same store sales. The local economy was still going strong despite the turmoil in the global stock market in the forth quarter of 2007. As the unemployment rate dropped to a low level of under 4%, the overall sentiment of the retail sector was very positive. Besides the booming local economy, the turnover growth could also be contributed to the increasing number of tourists of the People's Republic of China (the "PRC") visiting Hong Kong. More and more tourists of the PRC visited Hong Kong evenly and repeatedly during the whole year rather than concentrated in several peak seasons like the traditional golden week holidays. Hong Kong retail market definitely gained advantage from the appreciation of the Renminbi and the depreciation of the US dollar.

The gross profit margin of the retail and wholesale division continued to increase. The increase in profit margin was the key drive to boost the Group's profitability to the present level. By providing more and more exclusive products with high quality in our product range, the capability of increasing the profit margin was largely enhanced. Extra incentives were given to frontline staff to promote the exclusive products. As a result, the proportion of higher margin products in the sales mix was increased steadily. The depreciation of US dollar only had impact on a small portion of the imported products which we could pass on the effect to consumers. Thus, there was not much negative impact on the gross profit margin due to the change in exchange rate.

The monthly rental was more or less the same during the whole period. There was no significant increase in rental cost for leases that renewed during the year. That was the case because those leases were entered in late 2004 and 2005 in which the rental cost had already reached a high level. Although the inflation rate was increased during the year, payroll and other operating costs were increased slightly in line with the increase in turnover.

For our wholly-owned subsidiary and the associated company serving inbound mainland group tourists, the business was fully recovered after the incident happened in the second quarter of the year. The same store sales for the current year increased 35.7% for the wholly-owned subsidiary.

One specialty store selling branded cosmetics was opened in a shopping centre in Shanghai in the fourth quarter. Though the investment was small, it signified as the first move to tap the huge PRC market potential. As the operation scale was small, it had no impact on the Group's financial performance.

The inventory turnover period on sales was 36 days (2006: 38 days). The inventory turnover was clearly maintained at a healthy level. The management closely monitored the inventory turnover and took actions to clear slow moving items when necessary.

E-Shop

Milk Powder Project

To broaden the product range offered to online customers, the Japanese Milk Powder project was launched in first quarter. Since then, the monthly sales of total milk powder from March to December were averagely recorded a growth of 2.5 times. The highest growth as 4 times was recorded in December. The continuous growth of sales of milk powder pinpointed the targeted market of the Group's online development in coming years. In the third quarter of the year, the E-shop further enriched the product profile by adding more baby care products in the "Baby Products" corner. Reliable logistics partners were identified for courier delivery of milk powder products to major cities of the PRC. A test operation was completed in the fourth quarter of the year.

Point Pay Card Project

After months of coordination and preliminary preparation, installation and testing of the Point Pay Card system were done in December. The first Point Pay Card installed with 1,000 points was introduced to the market. Apart from selling and marketing through the Group's online and retail network, the E-shop had been in contact with several parties of the PRC for being the Group's agent for selling and marketing Point Pay Cards in various cities of the PRC. A potential corporate agent in Guangzhou was selected and negotiations were scheduled to take place in the first quarter of 2008. Bonjour as the first cosmetics retail partner applying Point Pay System, it was an important milestone in the year of 2007 and that the Group had obtained the key to enter the retail market in the PRC.

Beauty Services Division

The beauty services division recorded a segment gain of HK$15.6 million for 2007 (2006: loss of HK$1.8 million). The turnover (service redemption) hit a record of HK$118.4 million (2006: HK$96.5 million), representing an annual increase of 22.7%. The turnaround of the beauty services division has started in the second half of 2006 after the restructuring took place in the second quarter of 2006. Since then, the growth in packages sale and the service redemption was getting much stronger. The momentum was even more apparent in the second half of 2007. The turnover of the second half amounted to HK$66.0 million. The increase in turnover could be contributed to the booming local economy and our successful launching of the latest medical beauty services.

Except the salon in Macau, the transformation of "Bonjour Beauty" to the new thematic look "About Beauty" was completed. The upgraded image helped to increase the turnover and at the same time enhanced our positioning in the market. The "Top Comfort" foot massage salons and the nail bar service were performing satisfactorily and contributing margin to the beauty services division. We originally planned to open more nail bar service centres during the year, but, there were difficulties in recruiting sufficient trained beauticians for new salons. As a result, our expansion program was in stand still. Instead, we opened a new service centre specialized in medical beauty technology. The performance of the new centre was so successful that we have already recovered all the initial investment.

After the relocation of one beauty salon in the first quarter of 2007, the restructuring of our beauty salon network was completed. As a result of the restructuring, the fixed operating costs were reduced and the operating efficiency increased substantially. The advertising expense was kept at about the same level of 2006. As such, the cost effectiveness was further enhanced while the turnover has increased 22.7% in this financial year.

Outlook

Retail and Wholesale Division

We are confident that the prevailing positive factors certainly will be even stronger in 2008, which is the year of Olympics. The unemployment rate has already improved significantly and is expected to stay at low level for a long time. While the general income level rises, the average spending is expected to increase.

The golden week holiday of the PRC in May is cancelled, but there will be no impact on the turnover. More and more tourists from the PRC prefer to travel in non-peak season to avoid high traffic and accommodation cost. As the economy of the PRC continues to grow more than 10% each year, the number of visitors for the whole year will increase. The number of group tourists would also increase steadily as well because of the same rationale. Furthermore, as Hong Kong dollar is likely to depreciate gradually against the Renminbi and other major foreign currencies, shopping in Hong Kong is becoming more and more attractive to tourists. Therefore, we can optimistically foresee that the Group's turnover will increase in line with the overall booming Chinese economy. Likewise, the profit derived from the investment in the associated company will also increase.

The gross profit margin has increased substantially since 2005 and we expect there is still room for increase for the next couple of years. The Group will continue to put effort on gross profit margin improvement. For example, marketing resources will be directed more on private labels and exclusive brands, which have high margins. Commission and incentive schemes will constantly reformed to push the sales mix towards higher proportion of high margin products.

For leases to be expired in the next twelve months, most of them were entered in the period which rental had already increased sharply. We do not expect the rental cost will increase considerably again. On the contrary, several leases of unprofitable shops has already expired in early 2008, the ratio of rental cost to turnover will decrease.

Besides rental, we reasonably believe that other distribution costs and administration expenses will increase, as the inflation rate is rising. Yet, we expect the increase will be at about the same rate as the increase in turnover. So, there will be no significant effect on the overall profitability.

The Group is looking for opportunities to expand the retail network. We have 31 retail outlets at present, we believe there should be room for expansion for about 10 to 15 outlets in the coming two to three years. Rental cost is the key factor affecting the pace of expansion. We will select new shop locations with prudent estimation.

The specialty shop in Shanghai is running smoothly. As the investment size is small for each shop, we are looking for opportunities to open more in Shanghai area. We consider this investment is the necessary initial step for building the growth potential for the Group several years from now.

After the remarkable jump in profit in 2007, we are confident that the Group's retail business will continue to grow strongly based on the prospects of increasing turnover, higher margin, and reduced rental cost.

E-shop

Milk Powder Project

The Group would extend the focus to the PRC as it is learned by experience that the huge demand of milk powder items remains in the PRC. It is anticipated that the Japanese milk powder products are to be penetrated into the PRC market quickly through dynamic referring by internet forum users. Looking back the growth trend in 2007 and looking forward to the positive market response from the PRC customers, it is estimated that the milk powder sales would increase massively by 3 times in 2008.

Point Pay Card Project

The negotiations with mainland parties for being the Point Pay Card agent would be expected to be time-consuming and it is foreseen that some more months would be taken up for completion of negotiations and contract signing. Considering the complexity of China Taxation Law, the Group would spend more time on taxation planning in order to come up with a workable practice with local partners. The Point Pay Cards of 3,000 and 5,000 points are scheduled to be launched in first half of 2008. These two values are tailor-made for gift and milk powder market. The Point Pay Card of 9,000 and a prestige gift set with all four values of card will be issued following 3,000 and 5,000 point cards. The market focus for each card value is defined to capture sales from the whole retail and gift market. By cooperation with local partners, the rental and labour cost of selling the Card would be eliminated and the low operation cost benefits a high profit margin.

Online Purchase Membership

Giving way to Milk Powder Project and Point Pay Card Project, the launching of Online Purchase Membership program is however delayed until 2008. We target to kick off the "Membership Registration" in the third quarter of 2008 and online purchase program in 2009 respectively.

Beauty Service Division

The performance of the beauty services division was much improved in 2007, especially in the second half. While the division operation is running at the high gear with much higher efficiency than ever, the beauty services division will definitely contribute a lot more to the Group's overall profitability. Though the market is still very competitive, we are confident that we are able to reap a bigger share of the market in the next few years. We have strong competitive edges over other competitors as we can provide a broad range of beauty services with latest technology at very competitive prices. This could be achieved as we always alert with the market changes and look for investment opportunities that will provide new market potential. As our new medical beauty centre opened in the second half of 2007 was successful, we plan to open two more centres in 2008.

To broaden our client base in major residential districts, we plan to open six to eight new beauty salons in three years time. The first one in residential districts is opened in the first quarter in 2008. While the size of the new salons will be on average smaller than the existing salons, the investment for each salon will be much smaller so as to minimize the cost. Since the client base will be largely increased after the opening of new salons, we can foresee that we are entering into a period of high turnover growth for the beauty services division.

The manpower shortage is the major obstacle to our expansion plan. To meet this challenge, we are taking aggressive approach to recruit experienced staff, and at the same time, implementing extensive training program to increase the skill and professional standards for junior staff. Staff cost will inevitably increase, but we are certain that the additional cost would be justified by the increase in the bottom line.

The beauty services division currently contributes a smaller portion of profit to the Group compared to the core retail business division. Yet, the market for beauty services is far from matured. We anticipate that the profit generated by the beauty services division would be one of the main forces that pushing the Group's profit up continuously in the next few years.

Financial Review

Liquidity and Financial Resources

Liquidity and financial resources position remain strong as the Group continues to adopt a prudent approach in managing its financial resources. As at 31st December 2007, the Group's cash and bank deposits amounted to HK$122.5 million (2006: HK$29.6 million). The Group's bank borrowings as at 31st December 2007 were HK$1.0 million (2006: HK$1.1 million), out of which HK$0.3 million (2006: HK$0.3 million) were repayable within the next 12 months. Therefore, the Group had a net cash balance (total bank and cash balance minus total bank borrowings and bank overdrafts) of HK$121.0 million as at 31st December 2007 (2006: HK$21.8 million).

As at 31st December 2007, the Group's gearing ratio was 0.01 (2006: 0.01), and was calculated based on the Group's bank borrowings and shareholders' funds of HK$154.7 million (2006: HK$79.6 million). Total liability to shareholders' fund improved to 133.3% as compared to 237.2% in last year. The current ratio is 1.43 in 2007 (2006: 0.95).

Cash Flow

Cash inflow from operating activities increased by HK$91.2 million from HK$17.0 million in 2006 to HK$108.2 million in 2007. The profit before taxation was HK$85.2 million. The total amount of non-cash items amounting to HK$22.6 million (mainly the depreciation and share-based payments), the increase in working capital amounting to HK$3.5 million and was net off with tax and interest payments amounting to HK$2.9 million.

Cash outflow from investing activities decreased by HK$10.9 million from HK$22.7 million in 2006 to HK$11.8 million in 2007. The decrease was largely due to a decrease in purchase of property, plant and equipment.

Cash inflow from financing activities was HK$2.5 million (2006: outflow of HK$6.2 million). The cash inflow for this year mainly represented proceeds form issue of shares of the Company.

Contingent Liabilities

	2007	2006
	HK$'000	HK$'000
Guarantee given by bank for rental payment to landlords	**1,884**	1,884

Foreign Exchange Exposures

The Group has minimum exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in Hong Kong dollar, US dollar and Japanese Yen. As at 31st December 2007, all of the Group's bank borrowings were denominated in Hong Kong dollar. The Group's bank borrowings were on floating rate basis at either bank prime rate or short-term inter-bank offer rates. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

Capital Structure

During the year under review, 3,024,000 fully paid ordinary shares of the Company were repurchased and cancelled, and 11,400,000 ordinary shares of the Company were issued to the share options holders of the Company. The total number of issued and fully paid shares of the Company as at 31st December 2007 was 233,984,000.

Charges on Group Assets

As at 31st December 2007, certain prepaid land lease payments and buildings of the Group with carrying amount of approximately HK$2,008,000 (2006: HK$2,044,000) was pledged as security for certain bank borrowings of the Group.

Material Acquisitions and Disposals of Investments and Subsidiaries and Significant Investments Held

There were no material acquisitions or disposals of subsidiaries and no significant investment held during the year ended 31st December 2007.

Human Resources

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. During the year under review, the Group provided a series of training courses to enhance the customer service skills of all our frontline staff by inviting professional consultants as lecturers to enrich the scope of this program. The Group also offers share options to the senior executives and general staff, as a means to reward and retain high caliber of the management team. In the meantime, competitive remuneration packages and goal-oriented bonuses are paid to different levels of staff. These rewarding packages strengthen the morale among the staff and led to high efficiencies, which further reinforced the confidence of the Directors' decision to adopt this strategic direction.

As at 31st December 2007, the Group had approximately 900 (2006: 860) full-time and part-time employees in both Hong Kong and Macau. The senior management team consisted of 19 people, in which about half of them had been with the Group for over 5 years. The Group treasures people as valuable human resources and recognizes the importance of attracting and retaining high quality staff for the Group's continuous success.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased a total of 3,024,000 ordinary shares of the Company at an aggregate consideration of HK$3,819,600 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$)*
11 July 2007	1,000,000	1.18	1.12	1,150,080
12 July 2007	60,000	1.20	1.20	72,000
17 July 2007	460,000	1.23	1.17	553,800
2 August 2007	336,000	1.40	1.35	459,320
17 September 2007	672,000	1.37	1.32	903,440
18 September 2007	496,000	1.38	1.36	680,960
Total	3,024,000			3,819,600

All of the 3,024,000 repurchased ordinary shares of the Company were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK22.2 cents for the year ended 31st December 2007.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from Monday, 2nd June 2008 to Thursday, 5th June 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the attending the forthcoming annual general meeting. All transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 30th May 2008.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the year ended 31st December 2007, the Group has complied with the code provisions prescribed in the Code on Corporate Governance Practices (the "CG Code") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from code provision A.2.1.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year, the Company does not have any officer with the title "chief executive officer", but such duties are undertaken by Dr. Ip Chun Heng, Wilson and Ms. Chung Pui Wan.

On 1st January 2008, Dr. Ip Chun Heng, Wilson has been appointed as the Chief Executive Officer of the Company, since the Board considered that Dr. Ip has in-depth knowledge and experience in the retails sales and cosmetic product market and is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the year under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. At present, members of the audit committee comprise Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong, being the three Independent Non-Executive Directors of the Company. Mr. Wong Chi Wai is the chairman of the committee. The audit committee has reviewed the effectiveness of both the external audit and of internal controls and risk evaluation. The audited financial statements of the Company for the year ended 31st December 2007 have been reviewed by the audit committee.

APPRECIATION

Finally, on behalf of the Directors, I would like to express my gratitude to our management and staff for their hard work and dedication throughout the year.

By Order of the Board
Ip Chun Heng, Wilson
Chairman

Hong Kong, 18th April 2008

As at the date of this announcement, the Executive Directors of the Company are Dr. Ip Chun Heng, Wilson, Ms. Chung Pui Wan, Mr. Yip Kwok Li and Mr. Chan Chi Chau; the Independent Non-Executive Directors are Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong.