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 2008

RESULTS

The board of directors (the "Board" or "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 2008 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	3	**1,381,889**	1,209,816
Cost of goods sold		**(732,655)**	(687,418)
Gross profit		**649,234**	522,398
Other income	4	**11,617**	11,081
Distribution costs		**(35,259)**	(33,713)
Administrative expenses		**(454,719)**	(412,699)
Other operating expenses		**(11,473)**	(1,023)
Profit from operations		**159,400**	86,044
Finance costs	5	**(556)**	(1,085)
Share of profits of an associate		**614**	255
Profit before tax		**159,458**	85,214
Income tax expense	6	**(26,966)**	(13,958)
Profit for the year attributable to equity holders of the Company	7	**132,492**	71,256
Earnings per share	9		
Basic		**HK57.7 cents**	HK30.7 cents
Diluted		**HK56.3 cents**	HK30.5 cents

CONSOLIDATED BALANCE SHEET
At 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**39,165**	32,362
Prepaid land lease payments		**1,534**	1,560
Goodwill		**–**	1,890
Investment in an associate		**3,729**	3,115
Rental and utility deposits		**29,884**	22,830
Deferred tax assets		**3,930**	4,775
		78,242	66,532
Current assets			
Inventories		**131,497**	119,788
Trade receivables	*10*	**19,489**	11,970
Rental and utility deposits		**18,244**	20,491
Prepayments, deposits and other receivables		**15,796**	15,427
Due from an associate		**4,235**	4,088
Current tax assets		**153**	81
Bank and cash balances		**158,581**	122,476
		347,995	294,321
Current liabilities			
Trade payables	*11*	**111,198**	98,544
Other payables, deposits received and accrued charges		**50,701**	42,604
Deferred revenue		**28,829**	35,753
Current portion of long-term bank borrowings		**187**	178
Trade finance loans		**24,712**	18,740
Bank overdrafts		**10**	508
Finance lease payables		**957**	148
Current tax liabilities		**30,436**	8,708
		247,030	205,183
Net current assets		**100,965**	89,138
Total assets less current liabilities		**179,207**	155,670

	2008 *HK$'000*	2007 *HK$'000*
Non-current liabilities		
Long-term bank borrowings	**144**	334
Finance lease payables	**2,122**	305
Long service payment liabilities	**786**	354
	3,052	993
NET ASSETS	**176,155**	154,677
Capital and reserves		
Share capital	**2,268**	2,340
Reserves	**173,887**	152,337
TOTAL EQUITY	**176,155**	154,677

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 its accounting year beginning on 1st January 2008. 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:

	2008	2007
	HK$'000	*HK$'000*
Sales of merchandise	**1,172,590**	1,076,492
Service income of beauty treatment services	**182,177**	101,878
Recognition of service income attributable to expired prepaid packages	**12,431**	16,558
Commission income	**14,691**	14,888
	1,381,889	1,209,816

(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 2008 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	**1,187,281**	**194,608**	**–**	**1,381,889**
Inter segment revenue	**1,133**	**–**	**(1,133)**	**–**
	1,188,414	**194,608**	**(1,133)**	**1,381,889**
Segment results	**96,250**	**51,533**		**147,783**
Other income				**11,617**
Share of profits of an associate	**614**	**–**	**–**	**614**
Finance costs				**(556)**
Profit before tax				**159,458**
Income tax expense				**(26,966)**
Profit for the year				**132,492**
Segment assets	**377,445**	**116,379**	**(91,541)**	**402,283**
Investment in an associate	**3,729**	**–**	**–**	**3,729**
Unallocated corporate assets				**20,225**
Total assets				**426,237**
Segment liabilities	**202,015**	**105,762**	**(91,541)**	**216,236**
Unallocated corporate liabilities				**33,846**
Total liabilities				**250,082**
Other segment information:				
Capital expenditure	**12,313**	**14,167**	**–**	**26,480**
Depreciation and amortisation	**7,648**	**11,345**	**–**	**18,993**
Impairment loss on goodwill	**1,890**	**–**	**–**	**1,890**
Other non-cash expenses	**6,613**	**1,290**	**–**	**7,903**

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
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

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 revenue by location of customers is presented as the Group substantially sells all merchandise and provides all services to customers in Hong Kong.

4. Other income

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**865**	455
Rental income	**7,190**	6,974
Other income	**3,562**	3,652
	11,617	11,081

5. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank borrowings and overdrafts	**489**	1,072
Finance leases charges	**67**	13
	556	1,085

6. Income tax expense

	2008	2007
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**26,146**	10,361
Over-provision in prior years	**(274)**	(334)
	25,872	10,027
Current tax – Overseas		
Provision for the year	**307**	89
(Over)/under-provision in prior years	**(58)**	50
	249	139
Deferred tax	**845**	3,792
	26,966	13,958

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year ended 31st December 2008.

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 rate is as follows:

	2008 *HK$'000*	2007 *HK$'000*
Profit before tax (excluding share of profits of an associate)	**158,844**	84,959
Tax at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**26,209**	14,867
Tax effect of income that is not taxable	**(3,062)**	(3,236)
Tax effect of expenses that are not deductible	**2,094**	495
Tax effect of utilisation of tax losses not previously recognised	**(1,004)**	(542)
Over/(under)-provision of deferred tax assets in prior years	**38**	(25)
Tax effect of unrecongised tax losses and temporary differences	**3,140**	2,724
Over-provision in prior years	**(332)**	(284)
Effect of different tax rates of subsidiaries	**(117)**	(41)
Income tax expense	**26,966**	13,958

7. Profit for the year

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

	2008 *HK$'000*	2007 *HK$'000*
Auditors' remuneration		
Current year	**1,030**	900
Over-provision in prior year	**–**	(20)
	1,030	880
Cost of inventories sold *(Note)*	**732,655**	687,418
Write-back of slow-moving inventories *(Note)*	**(617)**	(163)
Deposit paid forfeited	**–**	450
Depreciation	**18,967**	19,468
Gain on disposals of property, plant and equipment	**–**	(44)
Written off of property, plant and equipment	**679**	827
Impairment loss on goodwill	**1,890**	–
Net exchange losses/(gains)	**8,905**	(392)
Operating lease charge for land and buildings	**160,522**	163,294
Staff costs, including directors' emoluments		
Wages and salaries	**203,503**	174,258
Share-based payments	**7,409**	1,403
Retirement benefits scheme contributions	**6,994**	6,833
(Write back of)/provision for unutilised annual leave	**(182)**	2,312
Provision for long service payment	**432**	123
	218,156	184,929

Note: Cost of inventories sold includes write back of slow-moving inventories of HK$617,000 (2007: HK$163,000) which is included in the amount disclosed separately above.

8. Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK18.0 cents (2007: HK1.6 cents) per ordinary share	**41,326**	3,762
Special dividend paid of HK2.5 cents (2007: Nil) per ordinary share	**5,743**	–
Proposed final dividend of HK23.0 cents (2007: HK22.2 cents) per ordinary share	**51,767**	51,050
	98,836	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$132,492,000 (2007: HK$71,256,000) and the weighted average number of ordinary shares of 229,431,000 (2007: 231,728,000) 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$132,492,000 (2007: HK$71,256,000) and the weighted average number of ordinary shares of 235,539,000 (2007: 233,676,000), being the weighted average number of ordinary shares of 229,431,000 (2007: 231,728,000) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 6,108,000 (2007: 1,948,000) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

10. Trade receivables

Group

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

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**13,595**	10,218
31 – 60 days	**4,975**	780
61 – 90 days	**503**	332
91 – 120 days	**416**	640
	19,489	11,970

11. Trade Payables

Group

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

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**67,735**	47,694
31 – 60 days	**28,502**	30,609
61 – 90 days	**11,330**	13,499
91 – 120 days	**3,631**	6,742
	111,198	98,544

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

Overall Performance

For the year ended 31st December 2008, the Group recorded a turnover of HK$1,381.9 million, representing an increase of 14.2% over the previous year (2007: HK$1,209.8 million). Profit attributable to equity holders of the Company amounted to HK$132.5 million, an increase of 85.8% over the previous year (2007: HK$71.3 million). Basic earnings per share was HK57.7 cents (2007: HK30.7 cents).

The 14.2% growth in turnover was quite a healthy growth in view of the set-on of the financial crisis worldwide, which unexpectedly has not affected the local retail industry too much. The turnover growth was attributed to both increased sales for the Group's retail business and the rapid expansion of its beauty services business. The profit that the Group achieved in 2008 was a record high in the Company's operating history, mainly owing to both increased sales and improved margins from the two core businesses. Consolidated gross profit margin rose 3.8 percentage points from 43.2% in 2007 to 47.0% in 2008, primarily as a result of selling more high-margin products in the retail business and, more importantly, gaining better overall margins due to a great share of contribution from the expanding beauty services business.

The "rental advantage" that the Group had started to enjoy in 2007 continued to benefit its bottom-line in 2008. Starting the network re-structuring efforts a few years ago, during the year the Group further closed down some unprofitable stores and opened new stores with better locations and earnings potential. Although the number of outlets of the Group remained similar to 2007's level, the Group managed to achieve a healthy turnover growth across-the-board, and more importantly, an even higher rate of growth in profits was achieved partially due to reduced rental costs. In 2008, the Group's consolidated rental-to-turnover ratio was 11.1%, an improvement of 1.8 percentage points over 2007.

The Group continued its efforts in exercising stringent cost controls, as administrative expenses increased only by 10.2% despite the turnover growth and distribution costs increased by 4.6%. Overall, the Group's operating efficiency was further strengthened while its sales were buoyed, a very healthy sign indeed.

Retail and Wholesale Division

The retail and wholesale business contributed a turnover of HK$1,187.3 million in 2008, an increase of 8.8% year-on-year. The business contributed a segment profit of HK$96.3 million, representing an increase of 62.1% year-on-year. The growth was derived mainly from same store sales, which could be attributed to enhanced operating efficiency, a better product mix, and a generally positive local retail environment.

While the first half of 2008, we witnessed a quite healthy state of the local economy and consequently strong retail sales for the Group as well as for the local retail industry as a whole, we did not see much impact of the world's financial crisis upon the local retail industry in the second half of 2008. Turnover in the second-half of the year amounted to HK$616.6 million, representing a healthy growth of 10.4% compared to the corresponding second-half in 2007. Perhaps for retailers like us who sell basic or "semi-basic" goods, the impact of the financial crisis won't be felt unless the crisis will spread across the economy much further. Meanwhile, the Group continued to benefit from a depreciated Hong Kong dollar against Renminbi, as the amount of Mainland China customers continued to increase at our stores. As a matter of fact, during the 4th quarter which should have been hard hit by the financial crisis, the Group's stores received even more Mainland China visitors, perhaps due to the fact that such visitors had held off their visits to Hong Kong earlier due to the Beijing Olympics and the Sichuan earthquake.

Apart from increased sales, the retail and wholesale division also did well on improving its margins, registering a segment gross profit margin of 39.1%, representing an increase of 1.7 percentage points over 2007. The improvement was achieved due to increased sales per store, as well as selling more high-margin exclusive products with high quality and extra incentives given to frontline staff to promote such products. The lower exchange rate of the Hong Kong dollar has caused some impact on import prices, but the impact was minimal as the Group was able to pass on most of the price increase to consumers.

Seven stores were closed during the year due to low sales performance or high rentals for lease renewals. Three new stores were opened in Mongkok, Tsimshatsui and Causeway Bay with more reasonable rentals as well as good earnings potential. Despite a less number of stores in 2008 as compared to 2007, the Group still achieved an overall turnover growth in 2008, and what is more, the profit increased by an even greater percentage, thanks to now a much more reasonable rental level across-the-board. The rental-to-turnover ratio for the retail and wholesale business has decreased from 12.5% in 2007 to 11.0% in 2008.

Beauty Services Division

The beauty services division had stellar performance in 2008. Turnover jumped 64.3% to HK$194.6 million. The growth was attributed to both network expansion and organic growth. On the one hand, the Group added 3 salons during the year, bringing the total number of beauty services outlets to 16 as at year-end. The expansion has enabled the Group to tap market opportunities while its competitors contracted their businesses. On the other hand, partly due to our well-trained beauty advisers and fine services, and partly due to the aggressive direct sales campaign together with a new staff incentive program to enhance their performance, sales per outlet also increased, both in terms of package sales and service redemption. The onset of the financial crisis in the 4th quarter did have some negative impact upon the business, but the impact was short-lived. Sales returned towards the end of 2008 and have been streaming in as normal so far.

By nature, the beauty services business is a high-margin business compared to the retail business, and the margin gain would be further enhanced with organic growth on a per outlet basis as well as with economies of scale of the whole operation. This is exactly what is happening to the Group's beauty services business, as it contributed a segment profit of HK$51.5 million to the Group in 2008, a phenomenal 230.1% increase from HK$15.6 million in 2007. Both the rental costs and manpower costs as a proportion of turnover dropped, and certain new outlets have even recuperated all the investment costs in their first year of operation. This has given the Group great confidence in contemplating further expansion in the years ahead. A nail bar service centre was opened in Shanghai in the end of 2007 and it achieved a small profit in 2008. While the operation accounted for only a small portion of the Group's turnover, it serves as a testing point of the Mainland China market for the Group.

E-Shop

Milk Powder Project – baby.bonjourhk.com

Launched in the first quarter of 2007, the Japanese Milk Powder project registered strong sales during the year, primarily due to the Mainland China visitors swamping to Hong Kong retail outlets to purchase foreign products in which they had more confidence. Although the Group has always treated the project as a traffic-drawer instead of an income source, the project contributed a decent additional profit to the Group in 2008.

Following the Group's recent setup of a "Baby Bonjour" section in its outlets, the Group is actively developing a brand new baby.bonjourhk.com website. In addition, an e-commerce platform is going to be developed in the People's Republic of China (the "PRC" or "China") with our Mainland China partner that will help the Group to further tap the PRC online shopping market. When the website is launched, customers in the PRC may order milk powder as well as baby care products and pay online.

Outlook

The impact of the world's financial crisis will linger on in 2009, and is in fact expected to spread across a wider spectrum of the local economy. The Hong Kong retail industry was rather fortunate in 2008 for remaining relatively unscathed, but it is unsure whether it will continue to be blessed in 2009. On the positive side, The PRC government has actively adopted a series of policies and measures to stimulate its domestic economy so as to maintain healthy and steady economic growth. Such policies and measures should have beneficial spill-over effect upon Hong Kong's economy. The recent relaxation of the Individual Visit Scheme by the Hong Kong and Mainland authorities for Shenzhen residents, as well as a planned extension of the scheme to other secondary cities in the PRC, will also benefit the local retail industry. Visits by Mainland China tourists, especially from nearby Shenzhen and Guangdong Province, is set to grow significantly in 2009. Meanwhile, given the sluggish economic climate, the rental level for local retailers is expected to stay reasonable, thereby assuring a low-cost platform for the Group for the near future.

The Group will be, as it has been in the past, undertaking a prudent approach in its business expansion. While it believes that there is still much room for expansion for both the retail and beauty services businesses in the local scene, its approach in carefully selecting sites will not be changed. We have learnt from our operating history that trimming costs is as important as – if not more important than – expanding the scale of operation, and as such, our emphasis is still on cost efficiency and organic growth for the upcoming 2-3 years.

On our retail business, the Group aims to launch more exclusive brands, as a means to market good quality products to our customers whilst generating higher margins at the same time. The Group will continue to provide good training to our shop staff and to motivate performance through well-designed sales incentive schemes. The Group will also aim to add a few stores during the coming year. Now that we have by and large disposed of all of the unprofitable stores, we are poised to open 2-3 new outlets, with tourist areas and densely populated residential areas being our target areas for development.

The beauty services business is admittedly more vulnerable a worsening economy – if it does happen in 2009. The paradox, however, is that during a tough economy, and when the industry undergoes more consolidation (which is the case with the beauty services business at present), the Group is faced with more expansion opportunities. Indeed, the Group looks up to its beauty services business as its key growth engine for the next 2-3 years. This is especially so since the business will gain even greater cost efficiency when the operation matures. The Group targets to add 8-10 salons in the next 2-3 years, whilst a new salon in Causeway Bay is already coming on stream in April 2009. Training and employing additional competent beauty advisers will be a major management task in the next few months, so as to support the operation's rapid growth with sufficient resources. We are well aware of the keen competition in this business, and as such service quality and reputation is the key to success. In that regard, the Group will, again, undertake a prudent approach in its business expansion, and make sure we will achieve quality growth in this business.

As for the China market, we are actively researching on the possibility of developing more exclusive brands, helping us to prepare for a formal entry into the market. Our small nail bar operation is adding another outlet in Shanghai, and such operation starts to make a good incremental contribution as well as serving as the Group's "thermometer" for its future China endeavours.

All in all, we look towards 2009 with prudent optimism. As the Group continues to benefit from its previous re-structuring efforts, it aims to generate greater organic growth through achieving even better per store sales and through further enhancing its margins. Meanwhile, a modest and carefully planned network expansion will also help boost the bottom-line. Provided that the Hong Kong retail environment stays relatively healthy, the Group remains confident for another year of prosperous growth.

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 2008, the Group's cash and bank deposits amounted to HK$158.6 million (2007: HK$122.5 million). The Group's bank borrowings and finance lease payables as at 31st December 2008 were HK$3.4 million (2007: HK$1.0 million), out of which HK$1.1 million (2007: HK$0.3 million) were repayable within the next 12 months. Therefore, the Group had a net cash balance (total cash on hand minus total bank borrowings and finance lease payables) of HK$155.2 million as at 31st December 2008 (2007: HK$121.5 million).

As at 31st December 2008, the Group's gearing ratio was 0.02 (2007: 0.01), and was calculated based on the Group's bank borrowings and finance lease payables, divided by shareholders' funds of HK$176.2 million (2007: HK$154.7 million). Total liability to shareholders' funds improved to 142.0% as compared to 133.3% in last year. The current ratio was 1.41 in 2008 (2007: 1.43).

Cash Flow

Cash inflow from operating activities increased by HK$64.1 million from HK$108.2 million in 2007 to HK$172.3 million in 2008. The profit before tax was HK$159.5 million. The total amount of non-cash items amounting to HK$27.9 million (mainly the depreciation and share-based compensation expense) was net off with the decrease in working capital of HK$10.0 million.

Cash outflow from investing activities increased by HK$10.6 million from HK$11.8 million in 2007 to HK$22.4 million in 2008. The increase was largely due to an increase in purchase of property, plant and equipment.

Cash outflow from financing activities was HK$113.5 million in 2008 (2007: inflow of HK$2.5 million). The cash outflow for this year mainly represented dividend paid and consideration paid for repurchase of shares.

Contingent Liabilities

	2008	2007
	HK$'000	*HK$'000*
Guarantee given by a bank for rental payment to a landlord	**684**	1,884

Foreign Exchange and Bank Borrowing Interest Rate 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. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts. As at 31st December 2008, 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.

Capital Structure

During the year under review, 10,724,000 fully paid ordinary shares were repurchased, of which 10,629,000 repurchased shares were cancelled during the year and 95,000 repurchased shares were cancelled on 8th January 2009, and 3,384,000 ordinary shares of the Company were issued to the share options holders of the Company. The total number of issued and fully paid ordinary shares of the Company as at 31st December 2008 was 226,739,000 shares.

Charges on Group Assets

As at 31st December 2008, certain lease premium for land and buildings of the Group with carrying amount of approximately HK$1,971,000 (2007: HK$2,008,000) 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 2008.

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 2008, the Group had approximately 960 (2007: 900) 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 recognises 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 10,724,000 ordinary shares of the Company at an aggregate consideration of HK$25,000,660 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest	Lowest	Aggregate purchase price
		(HK$)	*(HK$)*	*(HK$)*
January 2008	2,072,000	1.35	1.22	2,724,560
March 2008	2,668,000	1.85	1.62	4,678,680
April 2008	2,596,000	2.85	2.63	6,999,600
July 2008	307,000	3.88	3.80	1,179,360
September 2008	1,846,000	3.81	3.01	6,496,730
October 2008	1,140,000	2.80	1.90	2,731,080
November 2008	95,000	2.03	1.99	190,650
Total	10,724,000			25,000,660

10,629,000 repurchased ordinary shares of the Company were cancelled during the year and 95,000 repurchased ordinary shares of the Company were cancelled on 8th January 2009, 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 HK23.0 cents per ordinary share for the year ended 31st December 2008.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from Wednesday, 20th May 2009 to Wednesday, 27th May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend for the year ended 31st December 2008 and 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 4:00 p.m. on Tuesday, 19th May 2009.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the year ended 31st December 2008, 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, Dr. Ip Chun Heng, Wilson is both the Chairman and Chief Executive Officer of the Company.

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 2008 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, 7th April 2009

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.