# Bonjour Holdings Limited
# 卓悦控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 653)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Director(s)") (the "Board") of Bonjour Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Period") (the "Interim Results"), together with comparative figures for the corresponding period last year. The Interim Results have not been audited, but have been reviewed by the Company's audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| **Turnover** | *3* | **1,251,847** | 1,005,618 |
| Cost of goods sold | | **(695,142)** | (589,190) |
| **Gross profit** | | **556,705** | 416,428 |
| Other income | *5* | **6,479** | 6,431 |
| Distribution costs | | **(32,757)** | (29,712) |
| Administrative expenses | | **(372,847)** | (284,023) |
| Other operating expenses | | **–** | (1,369) |
| **Profit from operations** | | **157,580** | 107,755 |
| Finance costs | *6* | **(770)** | (798) |
| **Profit before tax** | | **156,810** | 106,957 |
| Income tax expense | *7* | **(26,272)** | (17,857) |
| **Profit for the period attributable to owners of the Company** | *8* | **130,538** | 89,100 |
| **Earnings per share** | *9* | | |
| Basic | | **HK4.4 cents** | HK3.2 cents |
| Diluted | | **HK4.1 cents** | HK2.9 cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Profit for the period** | **130,538** | 89,100 |
| **Other comprehensive income:** | | |
| Exchange differences on translating foreign operations | **39** | 3 |
| **Other comprehensive income for the period, net of tax** | **39** | 3 |
| **Total comprehensive income for the period attributable to owners of the Company** | **130,577** | 89,103 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **At 30 June 2011 (Unaudited)** *HK$'000* | At 31 December 2010 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **63,146** | 68,126 |
| Rental and utility deposits | | **72,960** | 63,192 |
| Deferred tax assets | | **1,525** | 1,850 |
| | | **137,631** | 133,168 |
| **Current assets** | | | |
| Inventories | | **235,171** | 204,405 |
| Trade receivables | *11* | **39,715** | 45,271 |
| Rental and utility deposits | | **30,250** | 21,442 |
| Prepayments, deposits and other receivables | | **47,497** | 27,226 |
| Held-to-maturity investments | | **3,405** | 3,405 |
| Current tax assets | | **22,929** | 21,185 |
| Pledged bank balances | | **1,394** | 1,394 |
| Bank and cash balances | | **197,352** | 255,871 |
| | | **577,713** | 580,199 |
| **Current liabilities** | | | |
| Trade payables | *12* | **137,737** | 145,867 |
| Other payables, deposits received and accrued charges | | **64,517** | 79,867 |
| Deferred revenue | | **164,147** | 170,135 |
| Current portion of long-term bank borrowings | *13* | **–** | 2,500 |
| Short-term bank borrowings | *13* | **–** | 20,000 |
| Trade finance loans | *13* | **24,163** | 55,129 |
| Finance lease payables | | **853** | 973 |
| Current tax liabilities | | **44,347** | 23,963 |
| | | **435,764** | 498,434 |
| **Net current assets** | | **141,949** | 81,765 |
| **Total assets less current liabilities** | | **279,580** | 214,933 |

| | Note | At 30 June 2011 (Unaudited) HK$'000 | At 31 December 2010 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long-term bank borrowings | *13* | **–** | – |
| Finance lease payables | | **11,357** | 673 |
| Long service payment liabilities | | **1,851** | 1,851 |
| | | **13,208** | 2,524 |
| **NET ASSETS** | | **266,372** | 212,409 |
| **Capital and reserves** | | | |
| Share capital | *14* | **29,446** | 29,434 |
| Reserves | | **236,926** | 182,975 |
| **TOTAL EQUITY** | | **266,372** | 212,409 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium account** *HK$'000* | **Capital redemption reserve** *HK$'000* | **Merger reserve** *HK$'000* | **Statutory reserve** *HK$'000* | **Share-based payment reserve** *HK$'000* | **Foreign currency translation reserve** *HK$'000* | **Retained profits** *HK$'000* | **Total equity** *HK$'000* |
| At 1 January 2011 (Audited) | 29,434 | 87,878 | 386 | 415 | 258 | 22,466 | 297 | 71,275 | 212,409 |
| Total comprehensive income for the period | – | – | – | – | – | – | 39 | 130,538 | 130,577 |
| Issue of shares upon exercise of share options | 12 | 400 | – | – | – | – | – | – | 412 |
| Recognition of share-based payments | – | – | – | – | – | 5,424 | – | – | 5,424 |
| 2010 final dividends paid | – | – | – | – | – | – | – | (82,450) | (82,450) |
| At 30 June 2011 (Unaudited) | 29,446 | 88,278 | 386 | 415 | 258 | 27,890 | 336 | 119,363 | 266,372 |
| At 1 January 2010 (Audited), as previously reported | 2,294 | 41,389 | 164 | 415 | – | 17,208 | 283 | 188,045 | 249,798 |
| Retrospective restatements | – | – | – | – | – | – | – | (101,054) | (101,054) |
| At 1 January 2010, as restated | 2,294 | 41,389 | 164 | 415 | – | 17,208 | 283 | 86,991 | 148,744 |
| Total comprehensive income for the period, as restated | – | – | – | – | – | – | 3 | 44,767 | 44,770 |
| Issue of shares upon exercise of share options | 291 | 28,875 | – | – | – | – | – | – | 29,166 |
| Bonus issue | 12,237 | (12,237) | – | – | – | – | – | – | – |
| Issue of shares | 90 | 80,812 | – | – | – | – | – | – | 80,902 |
| Recognition of share-based payments | – | – | – | – | – | 2,842 | – | – | 2,842 |
| 2009 final dividends paid | – | – | – | – | – | – | – | (122,368) | (122,368) |
| At 30 June 2010 (Unaudited) | 14,912 | 138,839 | 164 | 415 | – | 20,050 | 286 | 9,390 | 184,056 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Net cash inflow from operating activities | **80,493** | 56,692 |
| Net cash outflow from investing activities | **(14,110)** | (12,481) |
| Net cash outflow from financing activities | **(124,941)** | (36,348) |
| (Decrease)/increase in cash and cash equivalents | **(58,558)** | 7,863 |
| Cash and cash equivalents at 1 January | **257,265** | 213,724 |
| Effect of foreign exchange rate changes | **39** | 3 |
| Cash and cash equivalents at 30 June | **198,746** | 221,590 |
| Analysis of cash and cash equivalents | | |
| Bank and cash balances | **198,746** | 221,590 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2010 except as stated below.

In the current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current Period 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 results of operations and financial position.

## 2. RETROSPECTIVE RESTATEMENTS

There were retrospective restatements in the consolidated financial statements for the years ended 31 December 2007, 2008 and 2009. In the consolidated financial statements for the years ended 31 December 2007, 2008, 2009, service income of beauty treatment services of approximately HK$18,301,000, HK$66,032,000 and HK$39,776,000 recognised in each of the year ended 31 December 2007, 2008 and 2009 respectively that should be deferred as at 31 December 2009 and recognised as income in the consolidated financial statements in subsequent financial years. Accordingly, retrospective restatements have been made by restating the comparative information for those years.

The financial impact of the adjustments described above resulted in decrease in consolidated retained profits at 1 January 2010 by HK$101,054,000 and on the results and financial position for the prior periods are as follows:

| | 30 June 2010 *HK$'000* | 1 January 2010 *HK$'000* |
|---|---|---|
| **Statement of financial position** | | |
| Increase in current tax assets | 18,451 | 18,451 |
| Decrease in other payables, deposits received and accrued charges | 5,317 | 5,317 |
| Increase in deferred revenue | (119,062) | (124,109) |
| Increase in current tax liabilities | (1,546) | (713) |
| Decrease in retained profits | 96,840 | 101,054 |

| | Six months ended 30 June 2010 *HK$'000* |
|---|---|
| **Profit or loss** | |
| Increase in turnover | (5,064) |
| Increase in income tax expense | 833 |
| | *HK Cent* |
| **Earnings per share** | |
| Increase in basic earnings per share | 0.2 |
| Increase in diluted earnings per share | 0.1 |

The earnings per share have been restated for bonus shares issued on 17 September 2010.

## 3. TURNOVER

Revenue recognized during the Period are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Sales of merchandise | **1,087,309** | 881,115 |
| Service income of beauty treatment services | **156,498** | 117,495 |
| Commission income | **8,040** | 7,008 |
| | **1,251,847** | 1,005,618 |

## 4. SEGMENT INFORMATION

The Group has two reportable segments including (i) wholesaling and retailing of beauty and health-care products and (ii) operation of beauty and health salons.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different skills and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's consolidated financial statements for the year ended 31 December 2010.

**Information about reportable segment profit or loss:**

| | Wholesaling and retailing of beauty and health-care products (Unaudited) *HK$'000* | Operation of beauty and health salons (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|
| **Six months ended 30 June 2011** | | | |
| Revenue from external customers | **1,095,349** | **156,498** | **1,251,847** |
| Intersegment revenue | **747** | **–** | **747** |
| Segment profit | **102,123** | **48,978** | **151,101** |
| Interest revenue | **7** | **2** | **9** |
| Interest expense | **770** | **–** | **770** |
| Depreciation and amortisation | **11,716** | **7,074** | **18,790** |
| Income tax expense | **18,701** | **7,571** | **26,272** |
| Other material non-cash items: Share-based payments | **4,724** | **700** | **5,424** |

| | Wholesaling and retailing of beauty and health-care products (Unaudited) *HK$'000* (Restated) | Operation of beauty and health salons (Unaudited) *HK$'000* (Restated) | Total (Unaudited) *HK$'000* (Restated) |
|---|---|---|---|
| **Six months ended 30 June 2010** | | | |
| Revenue from external customers | 888,123 | 117,495 | 1,005,618 |
| Intersegment revenue | 765 | – | 765 |
| Segment profit | 77,940 | 23,384 | 101,324 |
| Interest revenue | 9 | 4 | 13 |
| Interest expense | 798 | – | 798 |
| Depreciation and amortisation | 6,930 | 5,424 | 12,354 |
| Income tax expense | 14,488 | 3,369 | 17,857 |
| Other material non-cash items: Share-based payments | 2,523 | 319 | 2,842 |

**Reconciliations of reportable segment revenue, profit or loss:**

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Revenue** | | |
| Total revenue of reportable segments | **1,252,594** | 1,006,383 |
| Elimination of intersegment revenue | **(747)** | (765) |
| Consolidated revenue | **1,251,847** | 1,005,618 |
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **151,101** | 101,324 |
| Unallocated amounts: | | |
| Other income | **6,479** | 6,431 |
| Finance costs | **(770)** | (798) |
| Consolidated profit before tax | **156,810** | 106,957 |

## 5. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **9** | 13 |
| Rental income | **4,170** | 4,858 |
| Other income | **2,300** | 1,560 |
| | **6,479** | 6,431 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest expense on bank borrowings | **718** | 733 |
| Finance lease charges | **52** | 65 |
| | **770** | 798 |

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the Period.

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 amount of income tax expense charged to the unaudited condensed consolidated income statement represents:

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Current tax | | |
| Hong Kong Profits Tax | **24,131** | 15,847 |
| Overseas | **1,816** | 980 |
| Deferred tax | **325** | 1,030 |
| | **26,272** | 17,857 |

## 8. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Amortisation of lease premium for land | **14** | 13 |
| Costs of inventories sold | **695,142** | 589,190 |
| Depreciation | **18,777** | 12,341 |
| Loss on disposal of property, plant and equipment | **2** | 308 |
| Net exchange (gains)/loss | **(255)** | 1,061 |

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK$130,538,000 (2010: HK$89,100,000 (restated)), and the weighted average of 2,943,455,000 (2010: 2,822,630,000 (restated)) ordinary shares in issue during the Period. The weighted average number of ordinary shares in issue for 2010 had been adjusted for bonus shares issued on 17 September 2010.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK$130,538,000 (2010: HK$89,100,000 (restated)). The weighted average number of ordinary shares used in the calculation is 2,943,455,000 (2010: 2,822,630,000 (restated)) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 205,787,000 (2010: 254,594,000 (restated)) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all share options during the Period.

## 10. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interim, proposed of HK3.6 cents (2010: HK2.3 cents (restated)) per ordinary share | **105,918** | 67,104 |
| Special: Nil (2010: HK0.6 cent (restated)) per ordinary share | **–** | 17,895 |
| | **105,918** | 84,999 |

At a Board meeting held on 18 August 2011, the Board declared an interim dividend of HK3.6 cents per ordinary share. These proposed dividends are not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011. The Board did not recommend the payment of any special dividend (2010: HK0.6 cents (restated) per ordinary share) for the Period.

The dividend per share for 2010 had been restated for the bonus shares issued on 17 September 2010.

## 11. TRADE RECEIVABLES

The Group's sales to wholesale customers are entered into on credit terms ranging from 60 to 90 days, and trade receivables under credit card sales are due within 120 days (2010: 120 days) from the date of billings. The ageing analysis of trade receivables is as follows:

| | **At 30 June 2011 (Unaudited)** | At 31 December 2010 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wholesales debtors | | |
| 0 – 30 days | **5,149** | 7,405 |
| 31 – 60 days | **5,110** | 5,695 |
| 61 – 90 days | **2,640** | 3,320 |
| 91 – 120 days | **1,280** | 413 |
| Over 120 days | **1,681** | 581 |
| | **15,860** | 17,414 |
| Trade receivables under credit card sales | | |
| 0 – 30 days | **10,067** | 20,475 |
| 31 – 60 days | **2,008** | 2,096 |
| 61 – 90 days | **1,122** | 1,806 |
| 91 – 120 days | **10,658** | 3,480 |
| | **23,855** | 27,857 |
| Total | **39,715** | 45,271 |

## 12. TRADE PAYABLES

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

| | **At 30 June 2011 (Unaudited)** | At 31 December 2010 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **70,496** | 76,705 |
| 31 – 60 days | **46,186** | 48,346 |
| 61 – 90 days | **14,953** | 14,230 |
| 91 – 120 days | **5,439** | 5,343 |
| Over 120 days | **663** | 1,243 |
| | **137,737** | 145,867 |

## 13. BANK BORROWINGS

| | **At 30 June 2011 (Unaudited)** *HK$'000* | At 31 December 2010 (Audited) *HK$'000* |
|---|---|---|
| **Non-current** | | |
| Long-term bank borrowings | **–** | – |
| **Current** | | |
| Current portion of long-term bank borrowings | **–** | 2,500 |
| Short-term bank borrowings | **–** | 20,000 |
| Trade finance loans | **24,163** | 55,129 |
| | **24,163** | 77,629 |
| | **24,163** | 77,629 |

## 14. SHARE CAPITAL

| | **Number of shares** | *HK$'000* |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.01 each | | |
| At 31 December 2010 | **10,000,000,000** | 100,000 |
| At 30 June 2011 | **10,000,000,000** | 100,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.01 each | | |
| At 1 January 2011 | **2,943,448,000** | 29,434 |
| Shares issued on exercise of share options *(note)* | **1,200,000** | 12 |
| At 30 June 2011 | **2,944,648,000** | 29,446 |

*Note:*

During the Period, the Company issued and allotted 1,200,000 new shares at par value of HK$0.01 each as a result of the exercise of share options to share option holders of the Company.

## 15. COMMITMENTS

### (a) Commitments under operating leases

At the end of the reporting Period, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | **At 30 June 2011 (Unaudited)** ***HK$'000*** | At 31 December 2010 (Audited) *HK$'000* |
|---|---|---|
| Not later than one year | **310,637** | 207,523 |
| Later than one year and not later than five years | **525,848** | 289,823 |
| | **836,485** | 497,346 |

The Group had future minimum lease rental receivable under non-cancellable operating leases as follows:

| | **At 30 June 2011 (Unaudited)** ***HK$'000*** | At 31 December 2010 (Audited) *HK$'000* |
|---|---|---|
| Not later than one year | **11,760** | 6,580 |
| Later than one year and not later than five years | **14,350** | 3,360 |
| | **26,110** | 9,940 |

**(b)** The Company did not have any significant commitments as at 30 June 2011 and 31 December 2010.

## 16. CONTINGENT LIABILITIES

| | **Group** | |
|---|---|---|
| | **At 30 June 2011 (Unaudited)** ***HK$'000*** | At 31 December 2010 (Audited) *HK$'000* |
| Guarantee given by banks for rental payment to landlords | **2,167** | 2,176 |

As at 30 June 2011, the Company did not have any significant contingent liabilities (2010: Nil).

## 17. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the Period:

**Key management personnel compensation**

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Fees | **232** | 215 |
| Basic salaries, allowances and benefits in kind | **5,656** | 5,196 |
| Retirement benefits scheme contributions | **192** | 192 |
| | **6,080** | 5,603 |

## 18. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current Period presentation. The changes included the retrospective restatements.

## MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from the favorable economic growth and the upbeat retail markets in Hong Kong and the Greater China, an increasing number of mainland shoppers, together with the Group's sound and effective management measures, the Group achieved encouraging interim results in the first half year of 2011. It recorded an aggregate turnover of HK$1,251.8 million (2010: HK$1,005.6 million (restated)) during the period under review, representing a strong growth rate of 24.5% over the same period last year. Such continual growth in the Group's turnover has well demonstrated not only its consolidated market position, but also its strong commitment to sustainable business growth by operational optimization. Profit attributable to owners of the Company also increased by 46.5% to HK$130.5 million (2010: HK$89.1 million (restated)). The gross profit margin improved from 41.4% in 2010 to 44.5% during the reporting period. On the one hand, it is mainly due to the Group's unceasing efforts on product portfolio enhancement, especially on widening the product range of the higher-margin exclusive products.

The remarkable financial results achieved by the Group was attributable to the Group's success in seizing the tremendous business opportunities by leveraging its strong foothold in the local retail market, strategic efforts in store expansion, as well as forward-looking market share expansion in the People's Republic of China ("PRC") with high quality products and services. In addition, the Group implemented prudent cost control measures so as to maintain its robust profit growth momentum.

The Board proposed an interim dividend of HK3.6 cents (2010: HK2.3 cents (restated)) per ordinary share for the Period. The Board did not recommend the payment of any special dividend (2010: HK0.6 cent per ordinary share (restated)) for the Period.

### Business Review

*Further Expansion of the Retail and Wholesale Market*

Thanks to Hong Kong's robust economy with an improved employment rate, the strong consumer sentiment encouraged consumer spending in the retail sector and especially on cosmetics and personal care products in the first half of 2011. Besides, the breaking number of mainland visitors coming to Hong Kong also stimulated the demand for such products and in turn substantially increased the consumption capacity in the sector.

During the period under review, the Group's retail and wholesale division recorded a turnover of HK$1,095.3 million (2010: HK$888.1 million), representing a growth of 23.3% over the same period last year. The segmental profit of the division was up 31.1% to HK$102.1 million (2010: HK$77.9 million) during the Period. The growth in turnover and profit was mainly driven by (i) increasing number of mainland visitors; (ii) strong appetite of local and mainland shoppers; (iii) prudent expansion strategy of its network of retail stores ; (vi) effective cost control measures; and (v) PRC market penetration.

The increase in turnover and proportion of retail business was mainly driven by the contributions from mainland tourists as a result of improved per capita income. According to figures from the Hong Kong Tourism Board, visitors from the PRC reached 10.77 million, registering the biggest cumulative growth of 20% among other countries during the first five months of 2011. Besides, appreciation of Renminbi against Hong Kong dollar further encouraged their consumption and thus benefited the retail business of the Group.

In terms of network expansion, the total number of stores increased to 47 as of 30 June 2011 (2010: 37). Adhering to its prudent expansion plan, the Group carefully selected the locations of new stores in hot shopping spots. During the Period, the Group signed a number of rental contracts and renewed leases. The total floor area of retail stores reached 90,507 sq.ft. (2010: 59,665 sq.ft.) Undoubtedly, the Group has been facing higher operating costs caused by ever-increasing rental hikes. However, such effect was offset by the improved profit margin, and the Group's overall profitability was continued to enjoy healthy growth.

In terms of cost control, the Group closely monitored cost drivers and income streams. Meanwhile, we have implemented operational improvement initiatives including optimization of organizational structure, improvement of productivity and minimization of operating expenses, so as to further enhance the Group's operational efficiency.

Since July 2010, the Group has successfully penetrated the huge PRC consumer market by opening its first retails store in Guangzhou. During the period under review, the operation of its Guangzhou store was on track. To further capitalize the enormous market potential, the Group continued to enlarge its market share and expansion focus in the PRC by replicating previous success to open its second and third retail stores in the city during the Period. It is expected that the revenue of these two new stores will be reflected in the second half of the fiscal year.

*Beauty Service Flourishing in the Promising Industry*

As always, Bonjour's beauty service provides quality and innovative beauty services and skin care products to its premium customers. As such, the Group continued to gain high recognition from its customers, regardless of changes in the business climate.

With persistent efforts and devotion in the beauty service business, the Group's investment reached its harvesting period. Boosted by the immense demand for medical beauty treatments and new beauty products, the Group's total turnover of pre-paid package increased to HK$150.3 million, representing an increase of 30.1%, (2010: HK$115.5 million). With operation of 13 "About Beauty" parlors in Hong Kong, Macau and the PRC, and 5 auxiliary beauty services centers providing foot massage, manicure and cosmetic dermatology services, the Group has been offering comprehensive beauty services to the customers.

*Bonjour Cosmetics Online Shop (www.bonjourhk.com)*

With the growing popularity of online shopping in recent years, e-commerce plays an important role in the Group's business growth, since the platform opens another channel to acquire new target customers and transactions. The versatility of products offered by the Group online and strengthened website contents effectively facilitated an increase in the number of customers as well as new and repeat transactions. In addition, the online shop provided special offers on different occasions like Father's day and on certain hot items to boost sales.

During the period, the Group recorded strong sales growth in both local and overseas markets by 21.7%. The robust performance exceeded the Group's expectation and proved that the online shopping platform is effective to broaden the Group's customer base and raise its market dominance which paves the way to explore the global market in the long run.

**Prospects**

Looking ahead, Bonjour remains optimistic but prudent about the outlook for its business in the second half of 2011. It is expected that the PRC and Hong Kong economy will grow more moderately in the second half. Nevertheless, China's industrialization and urbanization will help boost GDP growth and the consumption power of residents will continue to improve. As such, the Group is well positioned to accelerate its penetration into the PRC market with additional resources and a stronger focus on the expansion of China's dynamic consumption markets in particular to spur the Group's market share in the area.

Bonjour's pursuit of perfection is never-ending. The Group will continue to offer high quality products and unparalleled services to its customers to satisfy their needs. The Group will further enhance and optimize its product mix by introducing innovative products of high margins, with the goal of achieving sustainable and profitable growth. Meanwhile, with a view to further strengthening Bonjour's brand identity, the Group will continue to emphasize its private brand development as a vital part of its strategic planning by enriching its private brand portfolio in the second half to maximize its profitability.

Amid the highly competitive operating environment of the beauty service industry, the Group will further strengthen on-the-job training in ways of lectures and workshops to frontline staff to enhance their product knowledge, sales communications and market intelligence techniques, so as to deliver impressive retail experiences to customers in a professional manner.

Despite the challenge of escalating rents in the second half, the Group believes that the rental rate hikes will be justified by the market in the medium term. In regard to this, the Group will seek to control its store expansion rate, subject to the market movement trend. In addition, facing the pressure of rising operating costs, the Group will put significant efforts in cost control by implementing measures including streamlining of operational procedures, improvement of work efficiency and optimization of organization structure, in order to keep the operating expenditures at a reasonable level and maximize the Group's profit margins.

With continuous dedication and pursuit of beauty over the years, Bonjour is marking its 20th anniversary in 2011, a significant milestone of the Group. Benefiting from the upward retail business environment, Bonjour aspires to further advancing its market leadership, brand awareness and product innovation to differentiate itself from other players in the industry. In addition, the Group aims to establish enhanced synergy with its business partners and thus to create utmost value to stakeholders and a thriving and flourishing future.

**Financial Review**

*Liquidity and Financial Resources*

As at 30 June 2011, the Group's cash and bank deposits amounted to HK$198.7 million (31 December 2010: HK$257.3 million). The Group's bank borrowings and finance lease payables as at 30 June 2011 were HK$12.2 million (31 December 2010: HK$24.1 million), out of which, HK$0.9 million (31 December 2010: HK$23.5 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2011 was 0.05 (31 December 2010: 0.11), and was calculated based on the Group's bank borrowings and finance lease payable, divided by total equity of HK$266.4 million (31 December 2010: HK$212.4 million). The current ratio of the Group as at 30 June 2011 was 1.33 (31 December 2010: 1.16).

The Group services its debt primarily through the cash earned from its operation and the Board believes that the Group has maintained sufficient working capital for its operation and future expansion.

*Cash Flow*

Net cash inflow from operations for the Period was HK$80.5 million (2010: HK$56.7 million). The profit before tax was HK$156.8 million. The total amount of non-cash items amounting to HK$25.3 million (mainly depreciation and share-based compensation expense) and was net off with a net decrease in working capital of HK$93.5 million.

Net cash outflow from investing activities for the Period was HK$14.1 million (2010: HK$12.5 million), which mainly represented capital expenditure on purchase of fixed assets in the Period.

Net cash outflow from financing activities for the Period was HK$124.9 million (2010: HK$36.3 million), which mainly represented dividends paid and repayment of bank borrowings in the Period.

*Contingent Liabilities*

As at 30 June 2011, the Group had contingent liabilities totaling HK$2.2 million (31 December 2010: HK$2.2 million) which represented guarantee given by bank for rental payment to landlord.

*Foreign Exchange Exposure*

The Group has little exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As at 30 June 2011, none of the Group's bank borrowings was in foreign currency. 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*

Exercise of Share Options

During the Period, the Company also issued and allotted 1,200,000 new shares at par value of HK$0.01 each as a result of the exercise of share options to share option holders of the Company.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2011 was 2,944,648,000.

*Charge on Group Assets*

As at 30 June 2011, certain of the Group's assets with a net book value of approximately HK$3.3 million (31 December 2010: HK$3.3 million) were pledged to secure banking facilities granted to the Group.

*Significant Investments*

During the Period, the Group did not have any significant investments.

*Material Acquisition or Disposal of Subsidiaries and Associated Companies*

There was no material acquisition or disposal of subsidiaries and associated companies during the Period.

**Human Resources**

As at 30 June 2011, the Group had approximately 1,560 (2010: 1,380) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period under review were HK$149.5 million (2010: HK$129.7 million). The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individual's performance. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.

**Dividends**

The Board has resolved to declare an interim dividend of HK3.6 cents (2010: HK2.3 cents) (restated) per ordinary share for the Period to be payable to the shareholders of the Company whose names appear on the register of members of the Company on 2 September 2011 and such payable is expected on or around 15 September 2011. The Board did not recommend the payment of any special dividend (2010: HK0.6 cent (restated)) per ordinary share for the Period.

## CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 2 September 2011 to 7 September 2011, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK3.6 cents per ordinary share of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 1 September 2011.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company did not repurchase its shares.

## DIRECTORS' SECURITIES TRANSACTIONS

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

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Period, 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 Listing Rules, except for the deviation from code provision A.2.1 which is explained in the following relevant paragraph.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 Period, Dr. Ip Chun Heng, Wilson is both the Chairman of the Board and the chief executive officer of the Company. The Board considered that Dr. Ip Chun Heng, Wilson has in-depth knowledge and experience in the retail sales and cosmetic product market and he 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.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference. At present, members of the Audit Committee comprise three independent non-executive Directors, namely Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong. Mr. Wong Chi Wai is the Chairman of the Audit Committee. During the Period, two meetings of the Audit Committee have been held. The Audit Committee has reviewed the effectiveness of both the external audit and internal control and also the risk evaluation. The unaudited financial statements of the Group for the Period have been reviewed by the Audit Committee.

## OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has established a remuneration committee and a nomination committee on 16 September 2005. These board committees were formed to ensure maintenance of high corporate governance standards.

By order of the Board
**Ip Chun Heng, Wilson**
*Chairman*

Hong Kong, 18 August 2011

*As of the date of this announcement, the Board comprises of four executive Directors namely Dr. Ip Chun Heng, Wilson, Ms. Chung Pui Wan, Mr. Yip Kwok Li and Mr. Chan Chi Chau; and three independent non-executive Directors namely Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong.*