Bonjour Holdings Limited
卓悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 (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	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**1,311,911**	1,251,847
Cost of goods sold		**(713,021)**	(695,142)
Gross profit		**598,890**	556,705
Other income	*4*	**26,266**	6,479
Distribution costs		**(44,531)**	(32,757)
Administrative expenses		**(480,019)**	(372,847)
Other operating expenses		**(1,472)**	–
Profit from operations		**99,134**	157,580
Finance costs	*5*	**(403)**	(770)
Profit before tax		**98,731**	156,810
Income tax expense	*6*	**(13,991)**	(26,272)
Profit for the period attributable to owners of the Company	*7*	**84,740**	130,538
Earnings per share	*8*		
Basic		**HK2.8 cents**	HK4.4 cents
Diluted		**HK2.7 cents**	HK4.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**84,740**	130,538
Other comprehensive income:		
Exchange differences on translating foreign operations	**(324)**	39
Other comprehensive income for the period, net of tax	**(324)**	39
Total comprehensive income for the period attributable to owners of the Company	**84,416**	130,577

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2012 (Unaudited) *HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**74,470**	78,421
Goodwill		**3,531**	3,531
Rental and utility deposits		**97,375**	76,440
Prepayments		**8,928**	6,541
Deferred tax assets		**1,850**	1,850
		186,154	166,783
Current assets			
Inventories		**249,842**	217,184
Trade receivables	*10*	**54,497**	58,003
Rental and utility deposits		**27,638**	30,077
Prepayments, deposits and other receivables		**99,497**	48,903
Current tax assets		**13,422**	13,422
Pledged bank deposits	*11*	**6,468**	1,403
Bank and cash balances	*11*	**173,890**	292,779
		625,254	661,771
Current liabilities			
Trade payables	*12*	**147,833**	158,144
Other payables, deposits received and accrued charges		**90,562**	96,821
Deferred revenue		**216,504**	208,824
Trade finance loans	*13*	**24,701**	34,950
Finance lease payables		**194**	471
Current tax liabilities		**39,178**	33,095
Bank overdrafts	*13*	**2**	–
		518,974	532,305
Net current assets		**106,280**	129,466
Total assets less current liabilities		**292,434**	296,249

	Note	At **30 June** **2012** **(Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Non-current liabilities			
Deposits received		**9,600**	2,100
Finance lease payables		**112**	202
Long service payment liabilities		**5,282**	5,282
		14,994	7,584
NET ASSETS		**277,440**	288,665
Capital and reserves			
Share capital		**29,959**	30,077
Reserves		**247,481**	258,588
TOTAL EQUITY		**277,440**	288,665

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 2012 (Audited)	30,077	97,285	499	415	258	40,250	386	119,495	288,665
Total comprehensive income for the period	–	–	–	–	–	–	(324)	84,740	84,416
Issue of shares upon exercise of share options	60	652	–	–	–	–	–	–	712
Repurchase of shares	(178)	(20,533)	178	–	–	–	–	–	(20,533)
Recognition of share-based payments	–	–	–	–	–	20,158	–	–	20,158
2011 final dividends paid	–	–	–	–	–	–	–	(95,978)	(95,978)
At 30 June 2012 (Unaudited)	29,959	77,404	677	415	258	60,408	62	108,257	277,440
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
	Note		(Restated)
Net cash inflow from operating activities		**27,506**	80,493
Net cash outflow from investing activities		**(29,518)**	(15,504)
Net cash outflow from financing activities		**(126,415)**	(124,941)
Decrease in cash and cash equivalents		**(128,427)**	(59,952)
Cash and cash equivalents at 1 January		**292,779**	257,265
Effect of foreign exchange rate changes		**(324)**	39
Cash and cash equivalents at 30 June		**164,028**	197,352
Analysis of cash and cash equivalents			
Bank and cash balances	*11*	**164,030**	197,352
Bank overdrafts	*13*	**(2)**	–
		164,028	197,352

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 2011. 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 2011.

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 2012. 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 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. TURNOVER

Revenue recognized during the Period are as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of merchandise	**1,157,844**	1,087,309
Service income of beauty treatment services	**145,114**	156,498
Commission income	**8,953**	8,040
	1,311,911	1,251,847

3. 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 2011.

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*	**Unallocated (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Six months ended 30 June 2012				
Revenue from external customers	**1,166,797**	**145,114**	**–**	**1,311,911**
Intersegment revenue	**860**	**–**	**–**	**860**
Segment profit	**44,860**	**28,008**	**–**	**72,868**
Interest revenue	**–**	**–**	**170**	**170**
Interest expense	**–**	**–**	**403**	**403**
Depreciation	**11,446**	**6,927**	**–**	**18,373**
Other material non-cash item: Share-based payments	**18,344**	**1,814**	**–**	**20,158**

	Wholesaling and retailing of beauty and health-care products (Unaudited) *HK$'000*	Operation of beauty and health salons (Unaudited) *HK$'000*	Unallocated (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	–	–	9	9
Interest expense	–	–	770	770
Depreciation	11,716	7,074	–	18,790
Other material non-cash item: Share-based payments	4,724	700	–	5,424

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**1,312,771**	1,252,594
Elimination of intersegment revenue	**(860)**	(747)
Consolidated revenue	**1,311,911**	1,251,847
Profit or loss		
Total profit or loss of reportable segments	**72,868**	151,101
Unallocated amounts:		
Other income	**26,266**	6,479
Finance costs	**(403)**	(770)
Consolidated profit before tax	**98,731**	156,810

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**170**	9
Rental income	**6,934**	4,170
Compensation income	**12,560**	–
Other income	**6,602**	2,300
	26,266	6,479

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**362**	718
Finance lease charges	**41**	52
	403	770

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**13,231**	24,131
Overseas	**760**	1,816
Deferred tax	**–**	325
	13,991	26,272

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Costs of inventories sold	**713,021**	695,142
Depreciation	**18,373**	18,790
Loss on disposal of property, plant and equipment	**342**	2
Net exchange losses/(gains)	**1,130**	(255)

8. 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$84,740,000 (2011: HK$130,538,000), and the weighted average of 3,001,632,000 (2011: 2,943,455,000) ordinary shares in issue during the Period.

(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$84,740,000 (2011: HK$130,538,000). The weighted average number of ordinary shares used in the calculation is 3,001,632,000 (2011: 2,943,455,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 139,840,000 (2011: 205,787,000) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all share options during the Period.

9. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim, proposed of HK2.3 cents (2011: HK3.6 cents) per ordinary share	**68,871**	105,918

At a Board meeting held on 22 August 2012, the Board declared an interim dividend of HK2.3 cents (2011: 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 2012.

10. 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 150 days from the date of billings. The ageing analysis of trade receivables is as follows:

	At 30 June	At 31 December
	2012	2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Wholesales debtors		
0 – 30 days	**5,185**	6,276
31 – 60 days	**1,856**	2,889
61 – 90 days	**1,839**	952
91 – 120 days	**6**	708
Over 120 days	**3,108**	1,341
	11,994	12,166
Trade receivables under credit card sales		
0 – 30 days	**37,276**	37,489
31 – 60 days	**4,588**	3,339
61 – 90 days	**379**	1,693
91 – 120 days	**79**	1,247
Over 120 days	**181**	2,069
	42,503	45,837
Total	**54,497**	58,003

11. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	At 30 June 2012 **(Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Cash at bank and on hand	**151,032**	262,779
Time deposits	**29,326**	31,403
	180,358	294,182
Less: Pledged bank deposits	**(6,468)**	(1,403)
Bank and cash balances	**173,890**	292,779
Less: Non-pledged bank deposits with more than three months to maturity	**(9,860)**	–
Cash and cash equivalents	**164,030**	292,779

12. TRADE PAYABLES

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

	At 30 June 2012 **(Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
0 – 30 days	**73,163**	86,213
31 – 60 days	**50,141**	52,843
61 – 90 days	**17,849**	14,394
91 – 120 days	**3,801**	2,756
Over 120 days	**2,879**	1,938
	147,833	158,144

13. BANK BORROWINGS

	At 30 June 2012 **(Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Trade finance loans	**24,701**	34,950
Bank overdrafts	**2**	–
	24,703	34,950

14. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current Period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Review

For the interim results in the first half of 2012, Bonjour Holdings Limited ("Bonjour" or the "Group") recorded an aggregate turnover of HK$1,311.9 million (2011: HK$1,251.8 million) during the six months ended 30 June 2012 (the "Period"), representing a growth rate of 4.8% over the same period last year. The gross profit margin slightly improved from 44.5% in 2011 to 45.7% during the Period. Profit attributable to owners of the Company decreased by 35.1% to HK$84.7 million (2011: HK$130.5 million) which is mainly due to sharp rising of rental expenses, staff costs and proportional decrease in redemption of beauty service package for the first half of 2012.

The Board proposed an interim dividend of HK2.3 cents (2011: HK3.6 cents) per ordinary share for the Period. The Board did not recommend the payment of any special dividend for the Period.

Business Review

Retail and Wholesale Division Review

During the Period, the Group's retail and wholesale division recorded a turnover of HK$1,166.8 million, representing an increase of 6.5% compared to HK$1,095.3 million in the previous period. The increase in turnover of retail business was mainly driven by the contributions from mainland tourists. According to figures from the Hong Kong Tourism Board, visitors from mainland China reached 15.6 million during the first six months of 2012, registering an increase of 22.7% when compared with the same period last year. Hong Kong is still the ideal tourist destination for the mainland shoppers.

Most of the retailers are facing the challenges in the Hong Kong retail market and the fluctuating global economy. There is no exception for the Group. Facing the escalating operational cost, especially for rental and labor cost, the division net profit was decreased 56.0% to HK$44.9 million (2011: HK$102.1 million) during the Period.

The whole retail market has, undoubtedly, been facing higher operating costs caused by roaring rental cost in the traditional shopping areas. The Group managed rental cost pressures prudently, closing stores that are faced with unreasonable rental hikes and replacing them with new stores in nearby locations. We believe this business strategy will help reduce operating risks and the threat of rental hikes. In addition, revenue growth from new stores in the popular shopping areas with substantial traffic flow will be reflected in the second half of 2012. Adhering to the prudent expansion plan, the total number of stores has just increased to 49 as of 30 June 2012 (2011: 47). The Group is fine-tuning operation on every effort to offset rising rental by improving profit margin.

The increase in staff cost was due to the inflation, rising training cost together with strategy to push sales of exclusive brands, which led to an increase in staff commission on the retail front. Also, to provide incentives and rewards to the Directors and employees of the Group, in July 2011, the Group has granted some share options to certain Directors where a portion of the expenses has been recognized in this Period according to the accounting treatment.

To further expand customers base and the number of transactions, the Group increased its brand-building and advertising effort. New marketing promotion of exclusive brands increased profit margin and penetrated into new market segments. We believe this sound investment in marketing strategy to capture more business opportunities is favorable to the Group's future growth. At the same time, the purchasing team maintained close attention to market trends by launching trendy, timely and exclusive products catering to different customers.

In terms of cost control, the Group closely monitored cost drivers. Meanwhile, we have implemented operational improvement initiatives including efficient store operation, broadening product range, enhancing inventory management and minimizing operating expenses, so as to achieve the Group's operational efficiency.

Despite the high retail rental pressure and inflation in Hong Kong together with a slower economic growth target of 7.5% in China this year, the Group continued to achieve the growth in turnover in the first half of 2012. The beauty and health sector has relatively strong resistant power against economic fluctuations. It is mainly benefited from the Group's successful brand name, a strong reputation from 21 years of retail experience in Hong Kong and its continuous operation improvement. The Group reputation is significantly proved by the honour from Customer Relationships Excellent Award.

Beauty Services Division Review

Currently, with the operation of 14 "About Beauty" parlors and 6 auxiliary beauty services centers providing foot massage, manicure and cosmetic dermatology services, the Group has been offering comprehensive beauty services to the customers.

The beauty services division recorded a segment revenue of HK$145.1 million (2011: HK$156.5 million), representing a drop of 7.3%. This was largely due to the decrease in the redemption rate of beauty packages during the Period as compared to that of 2011. Actually, the division's package sales has shown as increase of 1.3%. Such drop in segment profit does not indicate any deficiency in the long-term profitability of this division. With a long commitment in the beauty service business, coupled with the increasing demand for medical beauty treatments, quality beauty products and creative marketing strategy, the Group is confident that total turnover generated from beauty salons is promising in the coming years.

Enhancing Online Customers Shopping Experience (www.bonjourhk.com)

With the growing business expansion of ecommerce in recent years, the online shop plays an important channel to acquire new target customers and increase frequent and repeat transactions. On marketing strategy, the online shop provided special offers on different occasions like X'mas and New Year and on selected branded products to increase revenue.

During the Period, the Group recorded sales growth in both local and overseas markets by 1.5%, reaching HK$19.8 million in revenue. The growth is resulted from product quality, transaction security and logistics convenience. The Group will continue to improve the website navigation, design and search mechanism to enhance user experience.

Prospects

Looking ahead, Bonjour remains cautious about the global economic environment. Uncertainties in the global economy are expected to worsen in the second half of 2012. However, Hong Kong's sound economic fundamentals and its proximity to the Mainland as a high growth centre will be strong pillars for its sustainable development. The Group is confident that it would sustain growth at a reasonable pace with its strong and established brand name.

With an aim to achieve long-term sustainable growth and solidify the Group's brand image of authenticity and quality products and services, the Group will continue to pursue its existing strategies of expanding the Group's retail network, focusing marketing on exclusive brands, introducing well-designed products, enhancing the shopping experience, strengthening customer relationships, sharpening competitiveness and further improving profitability, while balancing all of those efforts with prudent development strategy and careful risk management.

As one of the leading beauty retailers in Hong Kong, Macau and Guangzhou, the Group is well-positioned to capture the potential growth through the below strategies to bring benefits to customers and achieve long-term business growth:

– Product mix: improve the product portfolio by enhancing exclusive brands with supreme quality and higher profitability. It is believed strong exclusive brands and successful marketing will lead to further improvement in sales mix.

– Business expansion: closely monitor rental cost by relocating shops to more cost-effective locations and adopt disciplined retail network expansion strategy in Hong Kong; at the same time, facilitate development in Guangzhou which is expected to enjoy rising income resulting from China's steady economy growth in the coming years.

– Staff training: actively pursue a strategy to recruit, develop and retain talented employees which the management believes is key to the Group's business success and reputation.

– Merger and Acquisition (the "M&A"): seek opportunities for corporations and M&As and identify the right opportunity with those enterprises whose products and services are complementary with the Group, to further explore and increase the Group's long-term development.

Regarding the beauty service business, the Group will continue to gain a strong reputation from its customers by upgrading the quality of its skin care and wellness products, value-added service package and purchasing more advanced overseas beauty equipment to meet customer demand. In addition, medical beauty is an enormous beauty trend thanks to advancement in technology and the beauty concept of anti-aging. With the team of professional consultants, the Group gain steady growth in this promising sector.

As always, the Group will maintain conservative management policy supported by healthy financial position. The management strongly believes the beauty business is able to weather the ups and downs of the global economy by strengthening the Group's existing core businesses while embracing new growth opportunities.

Stepping into the second half of 2012, we will continue to serve our customers by developing additional performance-driven services to sustain customer loyalty. At the same time, the Group will adopt enhanced synergy with its business partners with an aim to create extra value to stakeholders and maximize portfolio values for the future.

Financial Review

Liquidity and Financial Resources

As at 30 June 2012, the Group's cash and bank deposits amounted to HK$180.4 million (31 December 2011: HK$294.2 million). The Group's bank borrowings and finance lease payables as at 30 June 2012 were HK$0.3 million (31 December 2011: HK$0.7 million), out of which, HK$0.2 million (31 December 2011: HK$0.5 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2012 was 0.001 (31 December 2011: 0.002), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK$277.4 million (31 December 2011: HK$288.7 million). The current ratio of the Group as at 30 June 2012 was 1.20 (31 December 2011: 1.24).

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$27.5 million (2011: HK$80.5 million). The profit before tax was HK$98.7 million. The total amount of non-cash items amounting to HK$39.1 million (mainly depreciation and share-based compensation expense) and was net off with a net decrease in working capital of HK$102.0 million.

Net cash outflow from investing activities for the Period was HK$29.5 million (2011: HK$15.5 million), which mainly represented capital expenditure on purchase of fixed assets amounting to HK$14.8 million, and increase in pledged deposits and non-pledged but more than 3 months maturity deposits amounting to HK$14.9 million in the Period.

Net cash outflow from financing activities for the Period was HK$126.4 million (2011: HK$124.9 million), which mainly represented dividends paid and repayment of bank borrowings in the Period.

Contingent Liabilities

As at 30 June 2012, the Group had contingent liabilities totaling HK$7.3 million (31 December 2011: HK$2.3 million) which mainly 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 2012, 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 6,000,000 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 2012 was 2,995,928,000.

Charge on Group Assets

As at 30 June 2012, certain of the Group's assets with a net book value of approximately HK$8.3 million (31 December 2011: 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 2012, the Group had approximately 1,660 (2011: 1,560) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period were HK$206.8 million (2011: HK$166.5 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 HK2.3 cents (2011: HK3.6 cents) 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 12 September 2012 and such payable is expected on or around 28 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 12 September 2012 to 17 September 2012, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK2.3 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 11 September 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, 17,756,000 fully paid ordinary shares were repurchased and all the 17,756,000 repurchased ordinary shares of the Company were cancelled during the Period. The total number of issued and fully paid ordinary shares of the Company as at 30 June 2012 was 2,995,928,000 shares.

Save as disclosed above, during the Period, the Company did not repurchase, sell or redeem its securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

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 Corporate Governance Code (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

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive 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 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, 22 August 2012

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.