# 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 31 DECEMBER 2012

### RESULTS

The board of directors (the "Board" or "Directors") of Bonjour Holdings Limited ("Bonjour" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 (the "Year") with comparative figures for the previous years as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2012*

| | *Note* | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|---|
| **Turnover** | *3* | **2,807,859** | 2,561,247 |
| Cost of goods sold | | **(1,482,687)** | (1,390,206) |
| **Gross profit** | | **1,325,172** | 1,171,041 |
| Other income | *4* | **55,761** | 32,032 |
| Distribution costs | | **(99,606)** | (81,948) |
| Administrative expenses | | **(1,006,180)** | (829,863) |
| Other operating expenses | | **(4,887)** | (3,082) |
| **Profit from operations** | | **270,260** | 288,180 |
| Finance costs | *5* | **(834)** | (1,235) |
| **Profit before tax** | | **269,426** | 286,945 |
| Income tax expense | *6* | **(47,060)** | (50,357) |
| **Profit for the year attributable to owners of the Company** | *7* | **222,366** | 236,588 |
| **Earnings per share** | *9* | | |
| Basic | | **HK7.4 cents** | HK8.0 cents |
| Diluted | | **HK7.1 cents** | HK7.5 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **222,366** | 236,588 |
| **Other comprehensive income:** | | |
| Exchange differences on translating foreign operations | **(547)** | 89 |
| **Other comprehensive income for the year, net of tax** | **(547)** | 89 |
| **Total comprehensive income for the year attributable to owners of the Company** | **221,819** | 236,677 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

| | Note | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **92,718** | 78,421 |
| Goodwill | | **–** | 3,531 |
| Rental and utility deposits | | **108,144** | 76,440 |
| Prepayments | | **4,602** | 6,541 |
| Deferred tax assets | | **1,850** | 1,850 |
| | | **207,314** | 166,783 |
| **Current assets** | | | |
| Inventories | | **248,335** | 217,184 |
| Trade receivables | 10 | **60,610** | 58,003 |
| Rental and utility deposits | | **17,062** | 30,077 |
| Prepayments, deposits and other receivables | | **55,116** | 48,903 |
| Current tax assets | | **9,164** | 13,422 |
| Pledged bank deposits | | **18,525** | 1,403 |
| Bank and cash balances | | **299,064** | 292,779 |
| | | **707,876** | 661,771 |
| **Current liabilities** | | | |
| Trade payables | 11 | **160,023** | 158,144 |
| Other payables, deposits received and accrued charges | | **124,859** | 96,821 |
| Deferred revenue | | **219,598** | 208,824 |
| Short-term bank borrowings | | **20,672** | – |
| Trade finance loans | | **18,192** | 34,950 |
| Finance lease payables | | **636** | 471 |
| Current tax liabilities | | **34,890** | 33,095 |
| | | **578,870** | 532,305 |
| **Net current assets** | | **129,006** | 129,466 |
| **Total assets less current liabilities** | | **336,320** | 296,249 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**
*At 31 December 2012*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | |
| Deposits received | **3,600** | 2,100 |
| Finance lease payables | **2,180** | 202 |
| Long service payment liabilities | **5,824** | 5,282 |
| | **11,604** | 7,584 |
| **NET ASSETS** | **324,716** | 288,665 |
| **Capital and reserves** | | |
| Share capital | **29,913** | 30,077 |
| Reserves | **294,803** | 258,588 |
| **TOTAL EQUITY** | **324,716** | 288,665 |

*Notes:*

1. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("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 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 policies, presentation of the Group's financial statements 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 results 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, Macau and the People's Republic of China ("PRC" or "China"). Revenues recognised during the year are as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of merchandise | **2,486,230** | 2,263,645 |
| Service income of beauty treatment services | **303,048** | 280,642 |
| Commission income | **18,581** | 16,960 |
| | **2,807,859** | 2,561,247 |

**(b) 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 skill and marketing strategies.

Segment profits or losses do not include sundry income, interest income, compensation income, finance costs and income tax expense. Segment assets do not include deferred tax assets, current tax assets, and property, plant and equipment and rental and utility deposits for corporate use. Segment liabilities do not include current tax liabilities, and bank borrowings and finance lease payables in respect of corporate use assets. Segment non-current assets do not include financial instruments and deferred tax assets.

The Group accounts for intersegment sales and transfers at cost.

Certain comparative figures have been restated to conform to the current year's segment policy. The change includes that the segment profit or loss do not include rental income previously, but the chief operating decision maker considered the segment profit or loss do include rental income to provide more appropriate segment analysis.

Information regarding the Group's reportable segments is presented below.

**Information about reportable segment profit or loss, assets and liabilities:**

| | Wholesaling and retailing of beauty and health-care products *HK$'000* | Operation of beauty and health salons *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Year ended 31 December 2012** | | | | |
| Revenue from external customers | **2,504,811** | **303,048** | **–** | **2,807,859** |
| Intersegment revenue | **1,705** | **–** | **–** | **1,705** |
| Segment profit | **215,029** | **30,898** | **–** | **245,927** |
| Interest revenue | **–** | **–** | **457** | **457** |
| Interest expense | **–** | **–** | **834** | **834** |
| Depreciation | **24,063** | **19,279** | **–** | **43,342** |
| Other material non-cash items: | | | | |
| Share-based payments | **18,201** | **2,249** | **–** | **20,450** |
| Impairment loss on goodwill | **–** | **3,531** | **–** | **3,531** |
| Additions to segment non-current assets | **15,333** | **38,145** | **5,025** | **58,503** |
| **As at 31 December 2012** | | | | |
| Segment assets | **765,950** | **349,060** | **–** | **1,115,010** |
| Segment liabilities | **389,137** | **389,702** | **–** | **778,839** |

| | Wholesaling and retailing of beauty and health-care products<br>*HK$'000*<br>(Restated) | Operation of beauty and health salons<br>*HK$'000* | Unallocated<br>*HK$'000* | Total<br>*HK$'000*<br>(Restated) |
|---|---|---|---|---|
| **Year ended 31 December 2011** | | | | |
| Revenue from external customers | 2,280,605 | 280,642 | – | 2,561,247 |
| Intersegment revenue | 1,221 | – | – | 1,221 |
| Segment profit | 212,582 | 54,456 | – | 267,038 |
| Interest revenue | – | – | 380 | 380 |
| Interest expense | – | – | 1,235 | 1,235 |
| Depreciation | 25,351 | 14,416 | – | 39,767 |
| Other material non-cash item:<br>Share-based payments | 20,170 | 1,518 | – | 21,688 |
| Additions to segment non-current assets | 43,213 | 19,101 | – | 62,314 |
| **As at 31 December 2011** | | | | |
| Segment assets | 696,848 | 289,802 | – | 986,650 |
| Segment liabilities | 336,809 | 354,868 | – | 691,677 |

**Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:**

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Revenue** | | |
| Total revenue of reportable segments | **2,809,564** | 2,562,468 |
| Elimination of intersegment revenue | **(1,705)** | (1,221) |
| Consolidated revenue | **2,807,859** | 2.561,247 |
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **245,927** | 267,038 |
| Unallocated amounts: | | |
| Other income | **24,333** | 21,142 |
| Finance costs | **(834)** | (1,235) |
| Consolidated profit before tax | **269,426** | 286,945 |
| **Assets** | | |
| Total assets of reportable segments | **1,115,010** | 986,650 |
| Elimination of intersegment assets | **(226,033)** | (184,883) |
| Unallocated amounts: | | |
| Property, plant and equipment and rental and utility deposits for corporate use | **15,199** | 11,515 |
| Deferred tax assets | **1,850** | 1,850 |
| Current tax assets | **9,164** | 13,422 |
| Consolidated total assets | **915,190** | 828,554 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **778,839** | 691,677 |
| Elimination of intersegment liabilities | **(226,033)** | (184,883) |
| Unallocated amounts: | | |
| Current tax liabilities | **34,890** | 33,095 |
| Financial lease payables | **2,778** | – |
| Consolidated total liabilities | **590,474** | 539,889 |

The totals of other items disclosed in the segment information are the same as the consolidated totals.

**Geographical information:**

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **2,526,674** | 2,350,076 | **83,101** | 80,689 |
| Macau | **219,526** | 173,727 | **3,998** | 1,161 |
| PRC except Hong Kong and Macau | **61,659** | 37,444 | **10,221** | 6,643 |
| Consolidated total | **2,807,859** | 2,561,247 | **97,320** | 88,493 |

In presenting the geographical information, revenue is based on the locations of the customers.

**Revenue from major customers:**

None of single customer whose revenue amount to 10% or more of the Group's revenue for the years ended 31 December 2011 and 2012.

## 4. OTHER INCOME

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **457** | 380 |
| Compensation income | **14,940** | 14,832 |
| Licence income | **17,500** | – |
| Rental income | **13,928** | 10,890 |
| Sundry income | **8,936** | 5,930 |
| | **55,761** | 32,032 |

## 5. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expense on bank borrowings | **714** | 1,131 |
| Finance leases charges | **120** | 104 |
| | **834** | 1,235 |

## 6. INCOME TAX EXPENSE

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | **43,972** | 45,965 |
| (Over)/under-provision in prior years | **(972)** | 1,192 |
| | **43,000** | 47,157 |
| Current tax – Overseas | | |
| Provision for the year | **3,923** | 2,816 |
| Under-provision in prior years | **137** | 384 |
| | **4,060** | 3,200 |
| | **47,060** | 50,357 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

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 multiplied by the Hong Kong Profits Tax rate is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before tax | **269,426** | 286,945 |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%) | **44,455** | 47,346 |
| Tax effect of income that is not taxable | **(1,500)** | (409) |
| Tax effect of expenses that are not deductible | **4,298** | 3,817 |
| Tax effect of utilisation of tax losses not previously recognised | **(509)** | (1,359) |
| Tax effect of unrecongised tax losses and temporary differences | **3,875** | 676 |
| (Over)/under-provision in prior years | **(835)** | 1,576 |
| Effect of different tax rates of subsidiaries | **(2,724)** | (1,290) |
| Income tax expense | **47,060** | 50,357 |

## 7. PROFIT FOR THE YEAR

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

| | 2012 | 2011 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Auditors' remuneration | | |
| Provision for the year | **1,370** | 1,320 |
| Under-provision in prior year | **5** | 330 |
| | **1,375** | 1,650 |
| Cost of inventories sold *(Note)* | **1,482,687** | 1,390,206 |
| (Reversal of)/allowance for slow-moving inventories *(Note)* | **(29)** | 2 |
| Impairment loss on goodwill (included in other operating expenses) | **3,531** | – |
| Depreciation | **43,342** | 39,767 |
| (Gain)/loss on disposal of property, plant and equipment | **(252)** | 468 |
| Written off of property, plant and equipment | **942** | 1,807 |
| Net exchange losses | **786** | 790 |
| Operating lease charge for land and buildings (included contingent rentals of HK\$2,874,000 (2011: HK\$2,827,000)) | **431,250** | 329,076 |
| Staff costs, including directors' emoluments | | |
| Wages and salaries | **388,483** | 328,994 |
| Share-based payments | **20,450** | 21,688 |
| Retirement benefits scheme contributions | **14,214** | 11,744 |
| Provision for unutilised annual leave | **349** | 3,606 |
| Provision for long service payment | **542** | 3,431 |
| | **424,038** | 369,463 |

*Note:* Cost of inventories sold includes reversal of allowance for slow-moving inventories of HK\$29,000 (2011: allowance of HK\$2,000) which is included in the amount disclosed separately above.

## 8. DIVIDENDS

| | 2012 | 2011 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Interim dividend paid of HK2.30 cents (2011: HK3.60 cents) per ordinary share | **68,871** | 105,918 |
| Proposed final dividend of HK2.88 cents (2011: HK2.88 cents) per ordinary share | **86,149** | 86,725 |
| Proposed special dividend of HK0.82 cent (2011: HK\$0.32 cent) per ordinary share | **24,529** | 9,636 |
| | **179,549** | 202,279 |

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purpose of calculating basic and diluted earnings per share | **222,366** | 236,588 |

| | **2012** | 2011 |
|---|---|---|
| **Number of shares** | | |
| Issued ordinary shares at 1 January | **3,007,684,000** | 2,943,448,000 |
| Effect of new shares issued upon exercise of share options | **4,977,050** | 15,902,466 |
| Effect of repurchase of shares | **(18,139,623)** | (3,629,090) |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **2,994,521,427** | 2,955,721,376 |
| Effect of dilutive potential ordinary shares arising from share options outstanding | **133,744,268** | 197,065,080 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **3,128,265,695** | 3,152,786,456 |

## 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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wholesales debtors | | |
| 0-30 days | **9,166** | 6,276 |
| 31-60 days | **6,316** | 2,889 |
| 61-90 days | **1,614** | 952 |
| 91-120 days | **366** | 708 |
| Over 120 days | **61** | 1,341 |
| | **17,523** | 12,166 |
| Trade receivables under credit card sales | | |
| 0-30 days | **38,244** | 37,489 |
| 31-60 days | **4,491** | 3,339 |
| 61-90 days | **90** | 1,693 |
| 91-120 days | **46** | 1,247 |
| Over 120 days | **216** | 2,069 |
| | **43,087** | 45,837 |
| Total | **60,610** | 58,003 |

## 11. TRADE PAYABLES

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **84,591** | 86,213 |
| 31–60 days | **50,795** | 52,843 |
| 61–90 days | **17,508** | 14,394 |
| 91–120 days | **4,782** | 2,756 |
| Over 120 days | **2,347** | 1,938 |
| | **160,023** | 158,144 |

## MANAGEMENT DISCUSSION AND ANALYSIS

The world economy experienced a slack pace of recovery along with the overall slowdown in growth in 2012. Also, we were faced with heightened challenges from inflation and rising operating costs in both Hong Kong and China. Notwithstanding this, thanks to the continuously strong spending power of visitors from China and the Group's capability of pursuing a prudent business strategy to stay ahead of the changing business environment, the Group continued to deliver promising results for the financial year. During the Year, the overall business of Bonjour maintained in steady progress. Turnover grew by 9.6% over the previous year to HK$2,807,900,000 (2011: HK$2,561,200,000). During the Year, profit from operations decreased by 6.2% to HK$270,300,000 (2011: HK$288,200,000). Profit attributable to owners of the Company decreased by 6.0% to HK$222,400,000 (2011: HK$236,600,000). Consolidated gross profit margin rose slightly from 45.7% in 2011 to 47.2% in 2012. Basic earnings per share was HK7.4 cents (2011: HK8.0 cents), representing a decrease of 7.5% from last year.

Even though the economy was affected by the local inflation in 2012, the financial results of the Group remained stable. We are always committed to providing customers with high-quality goods and value-for-money services.

## BUSINESS REVIEW

### Expanding our market share in retail and wholesale services through enhanced brand image

Over the past 21 years, we have been facing with different opportunities and challenges. However, Bonjour has been unwaveringly sticking to its primary goal of offering our customers with a wide range of value-for-money and superb-quality goods and services by exuding a pioneering spirit in trendy creativity. The present-day "Bonjour" brand name has received widespread recognition, which is a testament to both our great breadth of vision and insight in framing marketing strategy and our notable success in winning strong confidence from customers. According to the official figures released by the Hong Kong Tourism Board, the total number of visitor arrivals to Hong Kong from around the world in 2012 hit a record-breaking height of over 40 million, representing a year-on-year growth of 16%, which was far beyond the expected growth of 5%. The growth was mainly driven by the substantial increase in single-day visitor arrivals. Visitor arrivals from China to Hong Kong have reached more than 34,900,000, accounting for about 71.8% of the total visitor arrivals to Hong Kong. This indicates that China had a growing consumption population, which has in turn added fuels to the development of Hong Kong's retail sector. Thus, against the backdrop of the global economic sluggishness and the significant surge in operating costs such as rents along with the inflation in the territory, Bonjour was able to achieve desirable profit during the Year under review by putting great efforts on operations and introducing technology beauty and skin care products in line with the trend of development.

During the Year, turnover from the retail and wholesale segment jumped by 9.8% to HK$2,504,800,000 (2011: HK$2,280,600,000), accounting for more than 89.2% of the total turnover. Segmental profit of the division increased by 1.1% to HK$215,000,000 (2011: HK$212,600,000, as restated). The continued growth in turnover was mainly driven by the increase in visitor arrivals from China, the Group's sound product portfolio and the prudent expansion strategy of our retail stores network. Segmental gross profit margin increased to 41.6% (2011: 39.6%). The increase was mainly due to the improvement of product mix and the roll out of exclusive high-quality products with higher profit.

*Retail network in Hong Kong and China*

As at 31 December 2012, Bonjour operated 44 (2011: 48) retail stores in Hong Kong, China and Macau.

We adhered to a prudent expansion strategy of retail store network. Our direction was to proactively seek for stores with high operating efficiency and reasonable return, rather than merely focusing on stores with unreasonably high rents. The Group reaped desirable gains from the retail income, reflecting that the Group had followed a right strategic direction. In addition, the pleasing performance in gains was mainly due to the increase in the number of transactions between customers in Hong Kong and China and the significant growth in transaction amount, especially in 2012. Fuelled by the macro-economic development, coupled with the improvement of Chinese consumers' purchasing power and their standard of living and consumption habits, we expect that the turnover will maintain growth in the coming years. At the same time, with continued efforts on strengthening the professional training for employees, we ensured that our employees had been capable of providing customers with quality services, thus further expanding our retail network and consolidating our position in the retail market. Hence, we had reached our goal of yearly sustained growth.

*Rents*

During the Year, rents for stores in Hong Kong were maintained at high level. Bonjour entered into and secured certain leases for its existing stores last year. There was an increase in the rent-to-turnover ratio for the retail and wholesale segment, reaching 13.7% (2011: 12.1%). However, with our excellent management expertise, even in the face of the pressure of rising rents, we were still able to control rental expenditure at an acceptable level. In the coming year, the Group will keep in pace with the situation, and will continue to look for more cost-effective stores. We will carry out our expansion plans actively yet prudently, in an effort to strike a balance between sustainable development and rising rents.

*Online store*

With the increasing popularity of online shopping in the present-day society, Bonjour allocated greater resources to the development of online stores. Since the commencement of the operation of Bonjour's online shopping service (website: www.bonjourhk.com) in 2005, positive responses had been received from consumers overwhelmingly. Turnover from our online store jumped by 13.9% to over HK$43,400,000 during the Year under review. To stay ahead of the global online shopping trend, we are stepping up the launch of online shopping services, with a view to better meeting the strong demand from the market.

*Marketing efforts*

During the Year, marketing expenditures of the Group's retail and wholesale segment amounted to HK$44,200,000 (2011: HK$33,900,000), representing an increase of 30.4% over last year. Contrasting to such extent of increase, there was no significant increase in the marketing expenditure to turnover ratio, evidencing that our marketing strategy had enabled us to effectively achieve the expected turnover growth. To timely keep abreast of the latest market trends, we rolled out high-quality products with extensive popularity on the one hand, while promptly adhering to the emerging trend of technology skin care products on the other hand, with a vision to meet different needs from the market. Bonjour is well aware the importance of marketing, brand value creation and pedestrian flow attraction. We will thus reinforce our marketing and branding efforts, while tapping into more customers through the launch of a wide diversity of new promotion initiatives. We made a success in carving out higher visibility of the Group in Hong Kong and Chinese market, thus adding favourable impetus to the enhancement of our long-term brand image and the promotion of our business development in China.

We had previously invited a number of celebrities including Miss Shu Qi and Miss Rosamund, Kwan Chi Lam to take part in our brand ambassador event. Enthusiastic responses had been obtained from consumers. With the event, the Group's brand value and excellent products were successfully spread among customers. In the past year, to highlight Bonjour's philosophy of "beauty", celebrities including Miss Ada, Choi Siu Fan, Miss Jade, Kwan Sum Yin and Miss Eliza, Sam Lai Heung were invited to participate in Bonjour's brand ambassador event with a theme of charming personality. Although marketing expenses so incurred has resulted in an increase in operating costs, the Group believes that the investments in marketing efforts will bring operational efficiency in the long run. We will thus continue to make these investments.

With our penetrative sensitivity of the market and passion for creativity, we endeavour to frame effective marketing strategy for over 200 patent licensed brands through a variety of different media, thereby successfully strengthening our brand awareness in the market.

**Giving a touch of stylish charm, fascinating glamour**

In recent years, there is fierce competition in the beauty industry, where there is an increasing number of beauty salon peers of different sizes. However, the indispensable importance of reputation to each and every peer in the beauty industry is beyond suspicion. Therefore, the provision of an entire range of superb-quality, highly-sophisticated and total-satisfaction services is a crucial key for Bonjour Beauty to win customers' patronage. Our beauty parlors are committed to providing all skin care services customers with a graceful and comfortable environment, while offering them with the most fabulous experience of suitable beauty services, which are of their preferences. At the same time, the persistent use of high-quality beauty products by us has further bolstered up customers' confidence. Up until now, the Group has been operating in the beauty services horizon for over a decade. In particular, "About Beauty", "Dr. Protalk" and "Top Comfort" have successfully contributed to the building of "Bonjour" brand into a high-quality trademark.

For the Year, the beauty services segment recorded a turnover of HK$303,000,000, representing an increase of 8.0% when compared to HK$280,600,000 in last year. Segmental performance was pleasing, reflecting that the economies of scale of this business segment of the Group had been further enhanced. The Group has thus overshadowed all its peers in this respect.

*Beauty services network*

During the Year, the Group continued to extend the coverage of the beauty services network by adding 5 beauty parlors, including the newly-opened flagship store with an operational area of 20,000 square feet in Causeway Bay, a bustling district in Hong Kong. As of 31 December 2012, Bonjour was operating 15 "About Beauty" beauty parlors in Hong Kong, Macau and China and 6 auxiliary services beauty salons. A more diversified range of services, including medical beauty, life beauty, slimming beauty, skin care, foot massage and cosmetic dermatology services, was provided. Meanwhile, we strengthened the Chinese health services. Our "About Beauty – Health Preservation Centre" provides customers with a comprehensive range of Chinese medicine services, ranging from Chinese medicine nursing, health preservation and body conditioning, pain treatments to reproductive health. The Group is committed to enhancing self-confidence of customers who are in pursuit of beauty. Applauses were gained from our members and customers. Accordingly, we are have better positioned ourselves to set up professional, reliable beauty parlors that cater for all needs of customer. Despite high costs and intensive peer competition associated with the operation of beauty services, the essential key to stand out from peers in the competition lies in an optimal balance between the growth in the number of stores and their relative economies of scale. Therefore, while exercising strict cost control, we expect that the cost-effectiveness of the newly-opened stores will be reflected on the returns generated by our beauty parlors this year.

*Marketing efforts*

With easy access to enriched beauty information from different sources in recent years, consumers are becoming very selective in the purchase of beauty services and products, and are increasingly pursuing for sense of freshness. To cater for these changes and to improve the competitive strengths, Bonjour provides customers with a variety of brand new beauty items. In line with our constant self-enhancement, we strive for exploring into new knowledge and tapping into new technologies.

During the Year, in addition to "About Beauty" beauty parlors which are well recogized by customers and "Dr. Protalk" which is committed to promoting the concept of medical beauty and providing high-quality beauty services and skin care products, the Group had further stepped up its brand building. Miss Sharon, Chan Man Chi and Miss En Jel were appointed by us as brand ambassadors in Hong Kong and South Korea respectively, with an aim to exchange beauty culture, as well as to share and promote the joy of beauty.

With promotion creativity favour, together with a series of promotional activities of unique conception, the Group had uplifted the gross profit margin of the beauty services segment and increased brand awareness.

**PROSPECTS**

Amid the slowdown in the global economic growth, the central government took active leaps to fuel domestic consumption and stimulate economic growth. Hong Kong will continue to benefit from the favourable policies put in place by the central government, and to be embedded with promising market prospect and immense business opportunities. Bonjour will put great efforts to further expand the market share in China, to attract more customers, and to maintain a stable growth in results performance.

Invigorated by China's economic boom, with the improvement in people's living standards along with the rapid economic development, people increasingly prefer goods with high quality and internationally-recognized brands. With reliable product quality and reasonable price, Bonjour receives much praises from people. In the coming year, the Group will continue to better cater for the changes in the global economy and the needs of the retail market in Hong Kong and the Greater China region. We are committed to providing consumers with marvelous shopping experience. To achieve this goal, the Group will continue to allocate more resources on marketing and branding, and take a balanced marketing strategy to promote our brand and create a professional image, in order for us to enhance customer patronage and to better serve the services need of customers.

On the other hand, with the increasing importance of online shopping in today's society, we will continue to allocate more resources to develop an online store, in order to offer customers with enjoyable shopping experience in a relatively convenient way of shopping and at relatively value-for-money prices. In view of the continued improvement of the function of online shopping and the launch of more diversified marketing campaigns, the Group believes that the online store will generate greater revenue contribution to the Group's overall business.

To further optimize the structure of products and increase the level of profitability, the Group will therefore introduce more high-margin exclusive products and enhance the grades of product portfolio. We will make a move to add self-brands and exclusive distribution agency brands. This move will enable us to increase the gross profit margin of the Group, while leading price trends and providing consumers with excellent services and value-for-money consumption experience. At the same time, we always regard the quality of our products and services as an important asset. While strengthening R&D and innovation efforts on products, we are committed to providing our high-quality staff with training on the provision of professional services to customers. This is a crucial key for our long-term business development.

In the coming year, Bonjour will continue to unveil its store opening plans based on the market conditions. We will add 3 to 5 new retail stores and 1 to 2 beauty parlors in Hong Kong, Macau and Mainland China. The implementation of these plans will be subject to adjustments, depending on the changes in the economic environment. The opening of retail stores will enable us to attract more customers, and also beef up our brand awareness. "Bonjour" brand name will gradually receive broader awareness, which will in turn help increase the revenue of the Group in the near future. We will continue to actively step into further expansion and capture business opportunities. With judicious business operations and strategic expansion plans, the Group will further achieve an overall profitability of higher level. We firmly believe that our shrewd and steady investment will be the key for our success, and will enable us to effectively establish a solid foundation for our business in China.

Beauty services industry is an important part of the services industry in Hong Kong. With greater emphasis on appearance among Hong Kong people, the beauty industry turns into boom cycle of swift development. Beauty services are related to professional craftsmanship. The industry is in more robust demand for talent pool and on-the-job staff training. With the evolvement of Hong Kong into a knowledge-based society, the explosion and popularity of information technology and the general improvement of the level of knowledge, consumers are becoming smarter than ever before. Bonjour has very high professional requirements in this aspect. In the long term, we believe that it is essential for the beauty services industry to take on an internationalized, professionalized dimension. Beauticians should place equal emphasis on both theory and technology, in order for them to strengthen the level of technology and to enhance the quality of beauty services. Along with the flourishing development of medical beauty, life beauty and slimming beauty in Hong Kong and China, there is a wider range of beauty products and greater varieties of instruments. In the meantime, Bonjour has established Chinese medicine health and beauty "About Beauty-Health Preservation Centre", which offers customers with a wide variety of choices. We will seize the right opportunity to expand the business in this horizon. As mentioned above, the Group's is fully confident of the development of the Chinese market. Also, we will endeavour to formulate new strategy for the expansion of the beauty services network in the China market.

There were adjustments in retail consumption patterns in both Hong Kong and China in 2013. Benefiting from the structural transformation of China's visitor arrivals, consumption from the third and fourth-tier cities has grown sharply. Products of affordable prices will continue to receive much popularity. Last year, the overall sales performance of the daily necessities market is stable. Bonjour offers a wide range of daily cosmetics and skin care and beauty products in more than 22,000 varieties. With an adequate supply, we are able to meet people's consumption patterns. Thus, sales in Hong Kong and China remain strong, and are less sensitive to the impact of the macro-economic environment.

The Group recognizes that the Chinese market is rich in opportunities. It adheres to a long-term goal of expanding into the Chinese market. In the coming year, while strengthening our market position in Hong Kong, we plan to step up market development in a couple of spectrums. We intend to expand the retail and wholesale network in China, and enrich the range and quantity of products, in an effort to play a more active role in the Chinese wholesale market and to expand its market share. In this way, the Group will be well-positioned to strengthen the existing customer base and to offer a diversified range of high-quality services on a sound basis.

Bonjour believes that the creation of core corporate values is fundamentally essential to the development of vivid, vibrant retail business operations. We are in unswerving pursuit of beauty, regardless of the fluctuations in the economic environment. With edges in scale and economic benefits, the Group offers preferential prices for customers, and becomes one of the most popular beauty retailers. Looking ahead to the future, visitor arrivals of China and the sentiment in the retail market are expected to record continued growth. With the gradual improvement in the level of spending power of the Chinese consumers, there will be stronger consumption demand for a wide range of cosmetics and beauty products. The Group will continue to reap maximum returns for shareholders of the Company (the "Shareholders") diligently and unwaveringly. With the enduring support and trust from Shareholders and the dedicated efforts of all of our staff, we will be well-positioned to achieve this goal.

## 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 31 December 2012, the Group's cash and bank deposits amounted to HK$317.6 million (2011: HK$294.2 million). The Group's bank borrowings and finance lease payables as at 31 December 2012 were HK$23.5 million (2011: HK$0.7 million), out of which HK$21.3 million (2011: HK$0.5 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$294.1 million as at 31 December 2012 (2011: HK$293.5 million).

As at 31 December 2012, the Group's gearing ratio was 0.072 (2011: 0.002), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK$324.7 million (2011: HK$288.7 million). Total liabilities to Shareholders' funds improved to 181.9% as compared to 187.0% in last year. The current ratio of the Group was 1.22 in 2012 (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 operating activities decreased by HK$30.5 million from HK$312.5 million in 2011 to HK$282.0 million in 2012. The profit before tax was HK$269.4 million. The total amount of non-cash items amounting to HK$68.5 million (mainly depreciation and share-based payments expense) was net off with a net decrease in working capital of HK$14.5 million.

Net cash outflow from investing activities increased by HK$41.9 million from HK$49.8 million in 2011 to HK$91.7 million in 2012. The increase was largely due to increase in pledged deposits and non-pledged deposit with more than three months to maturity, and increase in purchase of property, plant and equipment.

Net cash outflow from financing activities was HK$203.2 million in 2012 (2011: HK$225.8 million). The cash outflow for the Year mainly represented dividends paid, repurchase of shares, net-off with consideration received from issuance of new shares.

**Contingent Liabilities**

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantees given by banks for rental payment to landlords | **7,176** | 2,176 |
| Guarantees given by banks for a merchant bank and vendors | **13,460** | 150 |
| | **20,636** | 2,326 |

**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 principally denominated Hong Kong dollars, Renminbi, United States dollars 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 31 December 2012, the Group had short-term bank borrowings amounting to HK$20.7 million (2011: Nil).

**Capital Structure**

*Exercise of Share Options*

During the Year, the Company also issued and allotted 27,600,000 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.

*Repurchase of Shares*

During the Year, 43,990,000 fully paid ordinary shares were repurchased and 40,908,000 repurchased ordinary shares of the Company were cancelled during the Year.

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2012 was 2,994,376,000 shares.

**Charges on Group Assets**

As at 31 December 2012, certain of the Group's assets with carrying amount of approximately HK$20.4 million (2011: HK$3.3 million) were pledged to secure banking facilities granted to the Group.

**Significant Investments**

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

**Material Acquisitions or Disposals of Subsidiaries and Associated Companies**

There were no material acquisitions or disposals of subsidiaries and no significant investment held during the Year.

**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, 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 values its human resources and recognises 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.

As at 31 December 2012, the Group had approximately 1,730 (2011: 1,650) full-time and part-time employees in both Hong Kong, Macau and the PRC. For the Year, the total staff cost including directors' emoluments amounted to approximately HK$424.0 million.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company repurchased a total of 43,990,000 fully paid ordinary shares of the Company at an aggregate consideration of approximately HK$46.8 million on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Per ordinary share Highest price paid *(HK$)* | Per ordinary share Lowest price paid *(HK$)* | Aggregate purchase price *(HK$)* |
|---|---|---|---|---|
| March 2012 | 14,356,000 | 1.18 | 1.14 | 16,705,420 |
| April 2012 | 3,400,000 | 1.11 | 1.11 | 3,774,000 |
| July 2012 | 1,550,000 | 1.11 | 1.10 | 1,706,020 |
| August 2012 | 4,258,000 | 1.01 | 0.98 | 4,265,620 |
| September 2012 | 218,000 | 1.00 | 1.00 | 218,000 |
| October 2012 | 3,286,000 | 0.99 | 0.99 | 3,253,140 |
| November 2012 | 13,840,000 | 1.02 | 0.98 | 13,908,000 |
| December 2012 | 3,082,000 | 0.98 | 0.96 | 2,993,360 |
| **Total** | **43,990,000** | | | **46,823,560** |

40,908,000 repurchased ordinary shares of the Company were cancelled during the Year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from Shareholders, with a view to benefit the Shareholders as a whole in enhancing the net assets and earnings per share of the Company.

On 23 May 2012, the Shareholders granted a general and unconditional mandate to the Directors on an annual general meeting of the Company to exercise all powers of the Company to repurchase up to 10% of the aggregate nominal amount of the issued share capital of the Company as at 23 May 2012.

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 Board recommended payment of a final dividend of HK2.88 cents (2011: HK2.88 cents) and a special dividend of HK0.82 cent (2011: HK0.32 cent) per ordinary share for the Year. Together with interim dividend of HK2.30 cents (2011: HK3.60 cents) per ordinary share was paid, the total dividend for the Year amounted to HK6.00 cents (2011: HK6.80 cents) per ordinary share.

Subject to the Shareholders' approval at the forthcoming annual general meeting, the said final and special dividends will be paid to the Shareholders, whose names appeared on the registers of members of the Company on 27 May 2013 and payable on or about 7 June 2013.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 May 2013 to 16 May 2013, both days inclusive, during the period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting 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, at 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 13 May 2013.

In addition, the register of members of the Company will also be closed on 23 May 2013 to 27 May 2013, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final and special dividends, if approved at the forthcoming annual general meeting 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, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22 May 2013.

## CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Year, 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 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 (the "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. Mr. Wong Chi Wai is the chairman of the Audit Committee. The Audit Committee has reviewed the effectiveness of both the external audit and internal control and risk evaluation. The audited financial statements of the Company and its subsidiaries for the Year 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
**Bonjour Holdings Limited**
**Ip Chun Heng, Wilson**
*Chairman*

Hong Kong, 22 March 2013

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