BONJOUR

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 2015

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, "Bonjour" or the "Group") for the six months ended 30 June 2015 (the "Period") (the "Interim Results"), together with comparative figures for the corresponding period in last year. The Interim Results have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30 June 2015 (Unaudited) *HK$'000***	2014 (Unaudited) *HK$'000*
Continuing operations			
Turnover	*2*	**1,146,756**	1,339,082
Cost of goods sold		**(641,214)**	(765,229)
Gross profit		**505,542**	573,853
Other income	*4*	**39,505**	25,587
Distribution costs		**(35,115)**	(35,456)
Administrative expenses		**(473,279)**	(438,258)
Other operating expenses		**(296)**	(4,518)
Profit from operations		**36,357**	121,208
Finance costs	*5*	**(5,306)**	(515)
Profit before tax		**31,051**	120,693
Income tax expense	*6*	**(5,998)**	(19,611)
Profit for the period form continuing operations	*7*	**25,053**	101,082
Discontinued operations			
Profit for the period from discontinued operations	*8*	**398,968**	8,192
Profit for the period	*7*	**424,021**	109,274
Attributable to owners of the Company		**424,021**	109,274
Earnings per share	*9*		
From continuing and discontinued operations Basic		**HK12.4 cents**	HK3.2 cents
Diluted		**HK12.1 cents**	HK3.1 cents
From continuing operations Basic		**HK0.7 cent**	HK3.0 cents
Diluted		**HK0.7 cent**	HK2.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2015 (Unaudited)** *HK$'000*	At 31 December 2014 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**729,157**	749,557
Rental and utility deposits		**95,707**	86,751
Available-for-sale financial assets		**756,228**	–
Deferred tax assets		**2,834**	2,834
		1,583,926	839,142
Current assets			
Inventories		**296,068**	261,084
Trade receivables	*11*	**34,056**	43,352
Rental and utility deposits		**50,605**	48,422
Prepayments, deposits and other receivables		**53,815**	42,846
Current tax assets		**9,127**	–
Pledged bank deposits	*12*	**6,611**	18,976
Bank and cash balances	*12*	**40,962**	189,413
		491,244	604,093
Assets classified as held for sale		**–**	105,714
		491,244	709,807
Current liabilities			
Trade payables	*13*	**136,393**	170,375
Other payables, deposits received and accrued charges		**87,649**	86,771
Bank borrowings	*14*	**161,867**	174,944
Trade finance loans	*14*	**22,799**	18,056
Finance lease payables		**2,103**	2,103
Current tax liabilities		**17,014**	13,544
Bank overdrafts	*14*	**–**	2
		427,825	465,795
Liabilities directly associated with assets classified as held for sale		**–**	240,361
		427,825	706,156
Net current assets		**63,419**	3,651
Total assets less current liabilities		**1,647,345**	842,793

	Note	At 30 June 2015 (Unaudited) *HK$'000*	At 31 December 2014 (Audited) *HK$'000*
Non-current liabilities			
Other payables and deposits received		**16,351**	22,445
Bank borrowings	*14*	**239,825**	232,121
Finance lease payables		**5,682**	6,734
Loan from a related Company		**138,000**	–
Long service payment liabilities		**4,118**	4,118
		403,976	265,418
NET ASSETS		**1,243,369**	577,375
Capital and reserves			
Share capital	*15*	**34,152**	33,990
Reserves		**1,209,217**	543,385
TOTAL EQUITY		**1,243,369**	577,375

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$'000*	**Investment revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total equity** *HK$'000*
Six months ended 30 June 2015										
At 1 January 2015 (Audited)	33,990	208,612	1,132	415	258	60,523	(2,937)	–	275,382	577,375
Total comprehensive income for the period	–	–	–	–	–	–	918	306,892	424,021	731,831
Issue of share upon exercise of share option	185	2,957	–	–	–	–	–	–	–	3,142
Repurchase of share	(23)	(1,407)	23	–	–	–	–	–	–	(1,407)
Recognition of share-based payments	–	–	–	–	–	4,164	–	–	–	4,164
Disposal of subsidiaries *(note 16)*	–	–	–	–	(15)	–	–	–	–	(15)
2014 final dividends paid	–	–	–	–	–	–	–	–	(71,721)	(71,721)
At 30 June 2015 (Unaudited)	34,152	210,162	1,155	415	243	64,687	(2,019)	306,892	627,682	1,243,369
Six months ended 30 June 2014										
At 1 January 2014 (Audited)	30,033	76,139	939	415	258	54,889	(1,271)	–	237,159	398,561
Total comprehensive income for the period	–	–	–	–	–	–	961	–	109,274	110,235
Issue of shares for Bonus Issue	3,100	(3,100)	–	–	–	–	–	–	–	–
Repurchase of share	(77)	(9,683)	77	–	–	–	–	–	–	(9,683)
Issue of shares on placement	1,050	157,017	–	–	–	–	–	–	–	158,067
2013 final dividends paid	–	–	–	–	–	–	–	–	(117,821)	(117,821)
At 30 June 2014 (Unaudited)	34,106	220,373	1,016	415	258	54,889	(310)	–	228,612	539,359

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Net cash outflow from operating activities		**(41,889)**	(3,006)
Net cash outflow from investing activities		**(77,784)**	(160,901)
Net cash (outflow)/inflow from financing activities		**(71,667)**	15,303
Decrease in cash and cash equivalents		**(191,340)**	(148,604)
Cash and cash equivalents at 1 January		**238,902**	387,501
Effect of foreign exchange rate changes		**11**	961
Cash and cash equivalents at 30 June		**47,573**	239,858
Analysis of cash and cash equivalents			
Bank and cash balances	*12*	**47,573**	239,931
Bank overdrafts		**–**	(73)
		47,573	239,858

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014. 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 2014.

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 2015. 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 from continuing operations is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of merchandise	**1,141,363**	1,331,884
Commission income	**5,393**	7,198
	1,146,756	1,339,082

3. SEGMENT INFORMATION

The Group has carried on a single business from continuing operations, which is wholesaling and retailing of beauty and health-care products. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	Six months ended 30 June		**At 30 June**	At 31 December
	2015	2014	**2015**	2014
			(Unaudited)	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,031,174**	1,208,543	**725,338**	744,848
Macau	**109,101**	107,804	**2,069**	2,392
PRC except Hong Kong and Macau	**6,481**	22,735	**1,750**	2,317
Consolidated total	**1,146,756**	1,339,082	**729,157**	749,557

4. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**1,398**	2,296
Licence income	**7,467**	12,000
Rental income	**19,767**	5,673
Sundry income	**10,873**	5,618
	39,505	25,587

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Interest expense on bank borrowings		
– Wholly repayable within five years	**211**	162
– Not wholly repayable within five years	**3,592**	330
– Not wholly repayable over five years	**1,394**	–
Finance leases charges	**109**	23
	5,306	515

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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 relating to continuing operations charged to the unaudited condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**4,883**	19,041
Overseas	**1,115**	570
	5,998	19,611

7. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Costs of goods sold	**641,214**	765,229
Depreciation	**22,638**	12,773
Loss on disposal of property, plant and equipment	**289**	34
Net exchange (gain)/losses	**(454)**	4,390

8. DISCONTINUED OPERATIONS

On 20 August 2014, Bonjour Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Town Health International Medical Group Limited (the "Purchaser") for sale and purchase of 100% of the entire share capital of Bonjour Beauty International Limited and its subsidiaries (the "disposal group") at a consideration of HK$423,780,000 which will be satisfied by the allotment and issue of 365,327,586 consideration shares at an issue price of HK$1.16 per share by the Purchaser. The disposal group carried out all of the Group's beauty and health salons operations. The disposal was completed on 1 January 2015.

The results of the discontinued operations included in the profit for the period are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current and prior period.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period from discontinued operations:		
Turnover	–	147,875
Cost of goods sold and services rendered	–	(8,908)
Other income	–	150
Distribution costs	–	(9,304)
Administrative expenses	–	(119,686)
Other operating expenses	–	(601)
Profit before tax		9,526
Income tax expense	–	(1,334)
Gain on disposal of subsidiaries *(note 16)*	**398,968**	–
Profit for the period from discontinued operations (attributable to owners of the Company)	**398,968**	8,192

Profit for the period from discontinued operations include the following:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Auditors' remuneration	–	243
Cost of goods sold and services rendered	–	8,908
Depreciation	–	9,238
Loss on disposal of property, plant and equipment	–	44
Net exchange losses	–	558

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**424,021**	109,274

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**3,412,780,685**	3,410,615,199
Effect of dilutive potential ordinary shares arising from share options outstanding	**95,341,970**	148,718,973
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,508,122,655**	3,559,334,172

From continuing operations

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

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	**424,021**	109,274
Profit for the period from discontinued operations	**(398,968)**	(8,192)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**25,053**	101,082

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

From discontinued operations

Basic earnings per share from the discontinued operations is HK11.7 cents per share (2014: HK0.2 cents per share) and diluted earnings per share from the discontinued operations is HK11.4 cent per share (2014: HK0.2 cent per share), based on the profit for the period from discontinued operations attributable to the owners of the Company is HK$398,968,000 (2014: HK$8,192,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim, proposed of HK0.1 cent (2014: HK2.0 cents) per ordinary share	**3,418**	68,212

At a Board meeting held on 28 August 2015, the Board declared an interim dividend of HK0.1 cent (2014: HK2.0 cents) per ordinary share. These proposed dividends are not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be recognised in shareholders' equity in the year ending 31 December 2015.

11. TRADE RECEIVABLES

The Group's sales to wholesale customers are entered into on credit terms ranging from 60 to 120 days, and trade receivables under credit card sales are due within 150 days from the date of billings. The ageing analysis of trade receivables, including those classified as part of a disposal group held for sale, is as follows:

	At 30 June	At 31 December
	2015	2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Wholesales debtors		
0 – 30 days	**3,913**	5,387
31 – 60 days	**2,897**	2,486
61 – 90 days	**2,260**	681
91 – 120 days	**2,006**	119
Over 120 days	**110**	163
	11,186	8,836
Trade receivables under credit card sales		
0 – 30 days	**4,730**	35,638
31 – 60 days	**4,817**	9,215
61 – 90 days	**4,893**	6,199
91 – 120 days	**5,055**	4,928
Over 120 days	**3,375**	2,783
	22,870	58,763
Total	**34,056**	67,599

12. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	At 30 June 2015 (Unaudited) ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
Cash at bank and on hand	**40,962**	159,408
Time deposits	**6,611**	48,981
Total Bank and cash balances	**47,573**	208,389
Less: Pledged bank deposits	**(6,611)**	(18,976)
Less: Non-pledged bank deposits with more than 3 months to maturity	**–**	(30,005)
Cash and cash equivalents	**40,962**	159,408

13. TRADE PAYABLES

The ageing analysis of trade payables, including those classified as part of a disposal group held for sale, based on the date of receipt of goods, is as follows:

	At 30 June 2015 (Unaudited) ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
0 – 30 days	**69,520**	85,892
31 – 60 days	**48,548**	55,950
61 – 90 days	**15,500**	22,576
91 – 120 days	**468**	5,411
Over 120 days	**2,357**	3,415
	136,393	173,244

14. BANK BORROWINGS AND OVERDRAFTS

	At 30 June 2015 (Unaudited) ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
Short-term bank borrowings	**100,000**	100,819
Long-term bank borrowings	**301,692**	306,246
Trade finance loans	**22,799**	18,056
Bank overdrafts	**–**	2
	424,491	425,123

15. DISPOSAL OF SUBSIDIARIES

As referred to in note 8 to the condensed consolidated financial statements, on 1 January 2015 the group discontinued its business at the time of the disposal of its subsidiary, Bonjour Beauty International Limited.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	21,201
Rental and utility deposits	17,429
Deferred tax assets	724
Trade receivables	24,247
Prepayments, deposits and other receivables	6,273
Current tax assets	5,325
Bank and cash balances	30,515
Amount due from group companies	184,141
Trade payables	(2,869)
Other payables and accrued charges	(23,090)
Deferred revenue	(205,830)
Current tax liabilities	(6,503)
Deferred tax liabilities	(853)
Long service payment liabilities	(1,216)
Net assets disposal of	49,494
Release of foreign currency translation reserve	906
Release of statutory reserve	(15)
Gain on disposal of subsidiaries *(note 8)*	398,968
Consideration	449,353
Consideration satisfied by	
Shares	449,353
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(30,515)

16. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group's continuing operation – Retail and Wholesale Business

For the six months ended 30 June 2015 (the "Period" or "review period"), the Group's continuing retail and wholesale business recorded turnover of HK$1,146.8 million (2014: HK$1,339.1 million), representing a decrease of 14.4% from the last corresponding period. Gross profit margin improved from 42.9% to 44.1%. Profit attributable to owners of the Company substantially increased by 287.9% to HK$424.0 million (2014: HK$109.3 million), mainly comprised of gain on disposal of discontinued operation $399.0 million.

The Board has resolved to declare an interim dividend of HK$0.1 cent (2014: HK2.0 cents) per ordinary share for the review period and did not propose any special dividend for the review period (2014: Nil). The Company decides to maintain a prudent dividend policy which aims at strengthening our capital basis by ensuring the ability of ongoing operations in order to support the business and maximize shareholders' interest. With this practice, the Company could achieve the strategic goal of creating long-term and sustainable business growth.

Market Overview

Uncertain global economic outlook, policies changed and intensive competition caused a declination of the general retail market of Hong Kong in the first half of 2015. A more prudent spending sentiment of consumers has curtailed sales effectiveness of the Group. In the first six months of 2015, according to the statistics released by the Census and Statistics Department, the total retail sales value of Hong Kong decreased 1.6% to HK$245.6 billion compared with that of 2014.

In April, the PRC and Hong Kong government announced the change in Shenzhen permanent residents' multiple-entry permits to one-visit-one-week. In addition, the Tariffs Collection & Control Department of China, in May, further announced the import tariffs cut for a few categories of imported goods among which cosmetics products cutting from 6.5-10% to 2%, effective from 1 June. Both factors brought even more uncertainties to the Hong Kong weakening retail market and created operational deleverage together with weaker turnover growth to local retailers.

Despite the rising economic status of China and raising of consumption power of Mainland Chinese, weakening of foreign currencies led more high-end Chinese travelers to visit other destinations. Official statistics released by the Hong Kong Tourism Board shows that, the total number of visitor arrivals to Hong Kong increased by 2.8% yoy where visitors from Mainland China accounted for nearly 80% of the total. However, of which the same day visitors increased 10.6% while overnight visitors increased only 3.8%. The increasing ratio of PRC visitor same-day travelers, whose consumption pattern is usually more prudent than those overnight visitors, pressurized the general retail market turnover growth in Hong Kong to certain extent.

Despite the retail market of Hong Kong was flooded with unfavorable factors in the first half of 2015, the industry relies on both domestic and tourism consumption, the influence of above uncertainties is believed to be limited to a change of tourist consumption pattern.

On the other hand, mainland visitors' mixture and change in spending pattern affected Hong Kong retail market in a way of ease of shop rental. The luxury consumer goods sector which located at the prime locations was severely hit and casted an immediate effect over landlords' and the retailers' expectation. According to analysis of DTZ, a commercial real estate research firm, retail shops rental has been dropping due to the dual impact of slow growth in visitor arrivals and decrease in luxury goods sales volume. During the first half of 2015, the overall rental in core commercial areas fell 20–30% compared with the same period in 2014.

Business Review

Despite the general retail market turned as undesirable and suppressed the turnover growth of the Group in the first half of 2015, the Group remains adhering to the "commitment to serving our honorable customers" and makes every effort to provide diversified high-quality products and services, aiming to be the first choice for customers.

Retail sales

Tourist spending has been slowing since the fourth quarter last year. During the review period, in order to attract tourists and local consumers and to broaden our customer base, the Group has launched a number of marketing and promotion campaigns to stimulate sales. We participated in the Happy@hongkong Super JETSO 2015 tourism campaign jointly organized by the Hong Kong Tourism Board and Hong Kong Retail Management Association which last for 4 weeks in April and May, offering various special offers to encourage tourist and local spending. Besides, the Group maintained high efficiency and flexibility in respond to market changes and instantly adjusted our product portfolio in accordance to the market preference. With an encouraging sales of Korean products to continue, which are mainly exclusive brands, taking up about 18.4% of revenue (2014: 13.0%). The positive trend might help to lift proportionate sales of its higher margin exclusive product segment.

Structural changes in Hong Kong arising from the shift in PRC tourist mix to the lower-tier cities with lesser spending power affected the average ticket size. However, the Group saw a 1.2ppts improvement on gross profit during the review period, mainly attributable to the change of sales mix. Specifically, the increasing proportion of higher-margin exclusive products.

Rental and store network

The unfavourable retail environment suppressed the rental growth momentum in the prime shopping areas in the beginning of 2015. However, such rental declination has yet to be realized in the Group's first half result. During the first six months, most of the committed leases of the Group, are still ongoing. Conversely, the net rental expenses for the first half still saw a slight increase. As of 30 June 2015, there were 46 stores in Hong Kong, Macau and Guangzhou (2014: 45). Rent-to-turnover ratio for the review period is 18.8% (2014: 15.9%). The Group, as usual, adopts a cautious store expansion strategy and continues to carefully evaluate the rental level when considering new lease or relocation and closely monitor the rental-to-turnover ratio.

Brand Management

The Group always believes that a successful marketing tactic will attract potential investors and thus generating sustainable income for the Group in the long run. Currently, the Group owns more than 180 brands of world-class exclusive beauty and health care products such as Suisse Reborn, Yumei, WOWWOW and Dr. Shafter. Durng the review period, we deployed a number of resources in our marketing strategies to maintain our leading position among cosmetic retailers in Hong Kong. To maximize the public awareness of the Group's new series of deluxe skin care products and to demonstrate the effectiveness, we have invited a number of city's celebrities as our brand ambassadors like Miss Ada Choi [Suisse Reborn], Miss Myolie Wu and Miss Kary Ng [Dr. Bauer], Miss Cecilia Wang [WOWWOW], Miss Elaine Yiu and Mr Louis Cheung [Dr. Schafter] and Miss Tracy Chu [Yumei] in Hong Kong. From their unique fascination, Bonjour's beauty secrets are perfectly expressed. The Group continues to commit in framing perfect skin for every woman and bring the latest trendy products to our beloved customers.

During the Period, marketing expenditures of the Group amounted to HK$16.2 million (2014: HK$14.9 million), representing an increase of 8.7% compared to the same period in last year. The Group believed that the effort and investment on marketing was worthwhile. It stabilized the Group's gross profit margin by improving the product portfolio in particular to Bonjour's exclusively-distributed international brands.

Talents Retaining and Training

Bonjour committed in the provision of intimate services to our honorable customers throughout the decades and therefore we treasure professional retail talents as important assets in business expansion. Comprehensive and ongoing staff training and attractive package are the keys to retain top talents. The high-quality staff training system and sincere services were rewarded by the great honour to win "Distinguished Salesperson Award". Bonjour will continue to ensure a provision of the most enjoyable shopping experience to our customers. During the review period, the staff cost-to-turnover increased from 11.3% to 13.3%.

Outlook

The macroeconomic is an essential factor to the general retail market, especially being an externally-oriented economy, like Hong Kong.

Although mainland visitor arrivals growth has improved in the first half 2015, we still see a challenging outlook for the Hong Kong retail sector in the second half of 2015 given softening mainland overnight visitor arrivals, the change in Shenzhen permanent residents' multiple-entry permits to one-visit-one-week, and China's cut in import tariffs and potential cut in consumption tax to reduce the retail price gap with overseas markets.

However, the Group is of the view that the impact of tariff cut should not have material impact on domestic retail price imported into China due to the complication of the import tariff system in China which the calculation is based on ex-factory price instead of retail price in general cases. The impact is not material if compare to the 17% VAT tax which is applied on retail price. The Group also believes that the new tax policy, though, in general undermines pricing advantage for Hong Kong retailer, concerns over quality and safety could see some mainland tourists continue to buy daily necessities in Hong Kong, especially skin and health care product.

We believe that the second half of 2015 remains challenging, given the PRC tourist's preference for holidays in other places, including Japan, Korea and Europe, and a higher ratio of PRC tourists coming from lower-tier cities with lesser spending power and day trippers, putting pressure on Bonjour's average ticket size. Being the key retailer in the cosmetic industry, Bonjour will stay prudent in the second half of the year and will further consolidate our own strengths in order to obtain a long-term growth of the Group and generate strong value to stakeholders.

Besides, DTZ expects that the store rental in the prime locations will record a further 10% decrease in the second half of the year following an approximately 20% declination in the first six months. Bonjour believes we will start to benefit from the ease of rental pressure in the Hong Kong market especially the new leases in the second half of the year as there are more vacant shops which make it easier to negotiate with landlords. Shop rental costs are therefore expected to start to drop, which we expect to benefit over the medium-to-long term given that one-third of our shop leases are renewed each year.

Online consumption is a tendency in the digital era and influences the local retail market. According to CBRE's new Asia Pacific Consumer Survey, traditional store shopping has been overtaken by online shopping as the most popular method of purchase in certain Asia markets. To ingratiate the market needs, the Group will allocate more resources to develop our O2O platform. The Group believes that O2O platform will direct internet users to the physical stores, enlarges our customer base and thus creating synergy to the transactions growth effectively with lower cost, of such our profitability will be benefited. Moreover, international cosmetic brands are competing for a slice of the action in the PRC market as China's purchasing power grows constantly. Despite of the overwhelming detrimental elements in the retail market, mainland consumers are believed to spend in Hong Kong continuously with respect of the products' safety and quality. With the experiences gained throughout the years in China, the Group devotes in utilization our online platform. The Group believes that online retail expansion plan penetrates into the third and fourth tier cities more effectively and helps the Group obtain a better rental control.

Customer loyalty is the Group's precious asset throughout the decades and also in the future. Going forward, Bonjour continues to commit in serving our customers to create long-term relationships, and will focus on products enrichment in order to cater the needs of customers. In addition, Bonjour's new office where integrates of warehouse, logistic facilities and operation at one stop will commence in operation in the second half of the year. The integration presents a higher operational efficiency and a better cost control, the gross profit margin is expected to rise. Moreover, the Group continues to seek for whose products and services which are complementary with the Group. Bonjour is confident that with our strong fiscal solvency, strategical stores locations and professional teams, we will sail through the wind and wave in the difficult circumstances and bring extra value to stakeholders.

Financial Review

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and bank deposits amounted to HK$47.6 million (31 December 2014: HK$208.4 million). The Group's bank borrowings, loan from related company and finance lease payables as at 30 June 2015 were HK$547.5 million (31 December 2014: HK$415.9 million), out of which, HK$164.0 million (31 December 2014: HK$161.9 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2015 was 0.440 (31 December 2014: 0.720), and was calculated based on the Group's bank borrowings, loan from related Company and finance lease payables, divided by total equity of HK$1,243.4 million (31 December 2014: HK$577.4 million). The current ratio of the Group as at 30 June 2015 was 1.15 (31 December 2014: 1.01).

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 outflow from operations for the Period was HK$41.9 million (2014: HK$3.0 million). The profit before tax was HK$31.1 million. The total amount of non-cash items amounting to HK$26.9 million (mainly depreciation and share-based payment expense) and was net off with a net decrease in working capital of HK$86.8 million.

Net cash outflow from investing activities for the Period was HK$77.8 million (2014: outflow HK$160.9 million), which mainly represented net cash outflow arising on disposal of discontinued operations.

Net cash outflow from financing activities for the Period was HK$71.7 million (2014: inflow HK$15.3 million), which mainly represented dividends paid and repayment of bank borrowings in the Period.

Contingent Liabilities

As at 30 June 2015, the Group had contingent liabilities totaling HK$10.0 million (31 December 2014: HK$21.9 million) which mainly represented guarantee given by bank for rental payment to landlord, merchant bank and vendors.

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 2015, 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 issued and alloted 18,480,000 new ordinary shares at par value of HK$0.01 each upon the exercise of share options under the share option scheme.

Repurchase of Shares

9,252,000 ordinary shares of the Company were repurchased and cancelled during the Period.

Charge on Group Assets

As at 30 June 2015, certain of the Group's assets with a net book value of approximately HK$689.8 million (31 December 2014: HK$712.8 million) were pledged to secure banking facilities granted to the Group.

Material Acquisition or Disposal of Subsidiaries and Associated Companies

On 20 August 2014, the Group has entered into an agreement with Town Health. Under the agreement, the Group will become the strategic shareholders of Town Health and Town Health will own 100% of the Group's beauty and health salon businesses (the "Disposal"). It is expected that the consolidation of salon operations with the medical expertise of Town Health will surely bring synergy effects to the original salon businesses to meet the incoming demand to medical treatment. As a shareholder of Town Health, the Group can enjoy the expected fast growing new salon business. For details of the Disposal, please refer to the Group's announcement dated 20 August 2014.

The Disposal was completed on 1 January 2015, the Group is no longer hold any equity interest in the disposal companies, where these will cease to be subsidiaries of the Group and its assets and liabilities and its profits and losses will no longer be consolidated into the consolidated financial statements of the Group.

It is expected that the Group recorded an unaudited accounting gain of approximately HK$399 million from the Disposal, being the difference between the consideration and (i) the estimated unaudited consolidated net asset value of the disposal companies recorded in the Group's accounts at Completion, and (ii) the relevant reserves. The actual gain or loss is subject to final audit to be performed by the Company's auditors.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies during the Period.

Human Resources

As at 30 June 2015, the Group had approximately 1,183 (2014: 1,221(continuing operations)) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period were HK$152.2 million (2014: HK$153.5 million (continuing operations)). 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 HK0.1 cent (2014: HK2.0 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 17 September 2015 and such payment is expected on or around 15 October 2015.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 14 September 2015 to 17 September 2015, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK0.1 cent 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 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, 18,480,000 ordinary shares of the Company were issued and alloted at par value of HK$0.01 each, as a result of the exercise of share options to share option holders of the Company.

9,252,000 ordinary shares of the Company were repurchased and cancelled during the Period and the issued share capital of the Company was reduced by the par value thereof.

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 Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 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, 28 August 2015

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