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## Bonjour Holdings Limited

## 卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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 2013 (the “Year”) with comparative figures for the previous years as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	3	<b>3,039,218</b>	2,807,859
Cost of goods sold		<u>(1,600,088)</u>	<u>(1,482,687)</u>
<b>Gross profit</b>		<b>1,439,130</b>	1,325,172
Other income	4	<b>53,611</b>	55,761
Distribution costs		<b>(98,872)</b>	(99,606)
Administrative expenses		<b>(1,063,455)</b>	(1,006,180)
Other operating expenses		<b>(1,759)</b>	(4,887)
<b>Profit from operations</b>		<b>328,655</b>	270,260
Finance costs	5	<b>(895)</b>	(834)
<b>Profit before tax</b>		<b>327,760</b>	269,426
Income tax expense	6	<b>(55,231)</b>	(47,060)
<b>Profit for the year</b>	7	<b>272,529</b>	222,366
<b>Attributable to owners of the Company</b>		<b>272,529</b>	222,366
<b>Earnings per share</b>	9		
Basic		<b>HK9.1 cents</b>	HK7.4 cents
Diluted		<b>HK8.7 cents</b>	HK7.1 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*For the year ended 31 December 2013*

	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
<b>Profit for the year</b>	<u><b>272,529</b></u>	<u>222,366</u>
<b>Other comprehensive income after tax:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(1,110)</u>	<u>(547)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>(1,110)</b></u>	<u>(547)</u>
<b>Total comprehensive income for the year</b>	<u><b>271,419</b></u>	<u>221,819</u>
<b>Attributable to owners of the Company</b>	<u><b>271,419</b></u>	<u>221,819</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		78,682	92,718
Rental and utility deposits		83,168	108,144
Prepayments		–	4,602
Deferred tax assets		4,153	1,850
		<u>166,003</u>	<u>207,314</u>
<b>Current assets</b>			
Inventories		270,564	248,335
Trade receivables	10	66,262	60,610
Rental and utility deposits		54,081	17,062
Prepayments, deposits and other receivables		65,333	55,116
Current tax assets		5,414	9,164
Pledged bank deposits		19,164	18,525
Bank and cash balances		368,337	299,064
		<u>849,155</u>	<u>707,876</u>
<b>Current liabilities</b>			
Trade payables	11	200,540	160,023
Other payables, deposits received and accrued charges		121,493	124,859
Deferred revenue		212,847	219,598
Short-term bank borrowings		33,634	20,672
Trade finance loans		11,144	18,192
Finance lease payables		608	636
Current tax liabilities		30,811	34,890
		<u>611,077</u>	<u>578,870</u>
<b>Net current assets</b>		<u>238,078</u>	<u>129,006</u>
<b>Total assets less current liabilities</b>		<u>404,081</u>	<u>336,320</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December 2013*

	<i>Note</i>	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>Non-current liabilities</b>			
Deposits received		–	3,600
Finance lease payables		<b>1,572</b>	2,180
Deferred tax liabilities		<b>942</b>	–
Long service payment liabilities		<b>3,006</b>	5,824
		<u><b>5,520</b></u>	<u>11,604</u>
<b>NET ASSETS</b>		<u><b>398,561</b></u>	<u>324,716</u>
<b>Capital and reserves</b>			
Share capital		<b>30,033</b>	29,913
Reserves		<b>368,528</b>	294,803
<b>TOTAL EQUITY</b>		<u><b>398,561</b></u>	<u>324,716</u>

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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current year and prior years except as stated below.

### Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1 that were adopted by the Group, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 “Mainland China”). Revenues recognised during the year are as follows:

	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>
Sales of merchandise	2,704,762	2,486,230
Service income of beauty treatment services	318,341	303,048
Commission income	16,115	18,581
	<u>3,039,218</u>	<u>2,807,859</u>

### (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, depreciation in respect of corporate use assets, 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 deferred tax liabilities, current tax liabilities, 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.

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

Information about reportable segments' profit or loss, assets and liabilities:

	<b>Wholesaling and retailing of beauty and health-care products <i>HK\$'000</i></b>	<b>Operation of beauty and health salons <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 31 December 2013</b>				
Revenue from external customers	2,720,877	318,341	–	3,039,218
Intersegment revenue	3,122	–	–	3,122
Segment profit	279,437	42,355	–	321,792
Interest revenue	–	–	671	671
Interest expense	–	–	895	895
Depreciation	18,199	19,892	4,525	42,616
Other material non-cash items:				
Share-based payments	–	–	–	–
Impairment loss on goodwill	–	–	–	–
Additions to segment non-current assets	19,092	10,029	–	29,121
<b>As at 31 December 2013</b>				
Segment assets	872,029	283,306	–	1,155,335
Segment liabilities	<u>455,271</u>	<u>291,377</u>	<u>–</u>	<u>746,648</u>

	Wholesaling and retailing of beauty and health-care products <i>HK\$'000</i>	Operation of beauty and health salons <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2012</b>				
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
<b>As at 31 December 2012</b>				
Segment assets	765,950	349,060	–	1,115,010
Segment liabilities	<u>389,137</u>	<u>389,702</u>	<u>–</u>	<u>778,839</u>

Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	3,042,340	2,809,564
Elimination of intersegment revenue	<u>(3,122)</u>	<u>(1,705)</u>
Consolidated revenue	<u><b>3,039,218</b></u>	<u>2,807,859</u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	321,792	245,927
Unallocated amounts:		
Other income	11,388	24,333
Finance costs	(895)	(834)
Depreciation	<u>(4,525)</u>	<u>–</u>
Consolidated profit before tax	<u><b>327,760</b></u>	<u>269,426</u>
<b>Assets</b>		
Total assets of reportable segments	1,155,335	1,115,010
Elimination of intersegment assets	(163,954)	(226,033)
Unallocated amounts:		
Property, plant and equipment and rental and utility deposits for corporate use	14,210	15,199
Deferred tax assets	4,153	1,850
Current tax assets	<u>5,414</u>	<u>9,164</u>
Consolidated total assets	<u><b>1,015,158</b></u>	<u>915,190</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	746,648	778,839
Elimination of intersegment liabilities	(163,954)	(226,033)
Unallocated amounts:		
Deferred tax liabilities	942	–
Current tax liabilities	30,811	34,890
Financial lease payables	<u>2,150</u>	<u>2,778</u>
Consolidated total liabilities	<u><b>616,597</b></u>	<u>590,474</u>

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



*Geographical information:*

	Revenue		Non-current assets	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	<b>2,729,652</b>	2,526,674	<b>68,593</b>	83,101
Macau	<b>246,006</b>	219,526	<b>3,588</b>	3,998
PRC except Hong Kong and Macau	<b>63,560</b>	61,659	<b>6,501</b>	10,221
Consolidated total	<b><u>3,039,218</u></b>	<u>2,807,859</u>	<b><u>78,682</u></b>	<u>97,320</u>

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 2012 and 2013.

**4. OTHER INCOME**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank interest income	<b>671</b>	457
Compensation income	–	14,940
Licence income	<b>28,172</b>	17,500
Rental income	<b>14,051</b>	13,928
Sundry income	<b>10,717</b>	8,936
	<b><u>53,611</u></b>	<u>55,761</u>

**5. FINANCE COSTS**

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest expense on bank borrowings	<b>800</b>	714
Finance leases charges	<b>95</b>	120
	<b><u>895</u></b>	<u>834</u>

## 6. INCOME TAX EXPENSE

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	<b>52,118</b>	43,972
Under/(over)-provision in prior years	<b>235</b>	(972)
	<u><b>52,353</b></u>	<u>43,000</u>
Current tax – Overseas		
Provision for the year	<b>4,280</b>	3,923
(Over)/under-provision in prior years	<b>(41)</b>	137
	<u><b>4,239</b></u>	<u>4,060</u>
Deferred tax	<u><b>(1,361)</b></u>	<u>–</u>
	<u><b>55,231</b></u>	<u>47,060</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 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:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before tax	<u><b>327,760</b></u>	<u>269,426</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	<b>54,080</b>	44,455
Tax effect of income that is not taxable	<b>(137)</b>	(1,500)
Tax effect of expenses that are not deductible	<b>1,667</b>	4,298
Tax effect of utilisation of tax losses not previously recognised	<b>(1,028)</b>	(509)
Tax effect of unrecongised tax losses and temporary differences	<b>3,531</b>	3,875
Under/(over)-provision in prior years	<b>194</b>	(835)
Effect of different tax rates of subsidiaries	<b>(3,076)</b>	(2,724)
Income tax expense	<u><b>55,231</b></u>	<u>47,060</u>

## 7. PROFIT FOR THE YEAR

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Auditors' remuneration		
Provision for the year	1,395	1,370
Under-provision in prior year	23	5
	<b>1,418</b>	1,375
Cost of inventories sold ( <i>Note</i> )	<b>1,600,088</b>	1,482,687
Allowance for/(reversal of allowance for) slow-moving inventories ( <i>Note</i> )	193	(29)
Impairment loss on goodwill (included in other operating expenses)	–	3,531
Depreciation	<b>42,616</b>	43,342
Gain on disposal of property, plant and equipment	(230)	(252)
Write off of property, plant and equipment	776	942
Net exchange losses	<b>1,212</b>	786
Operating lease charge for land and buildings (included contingent rentals of HK\$493,000 (2012: HK\$2,874,000))	<b>469,442</b>	431,250
Staff costs, including directors' emoluments		
Wages and salaries	414,262	388,483
Share-based payments	–	20,450
Retirement benefits scheme contributions	15,707	14,214
Provision for unutilised annual leave	2,215	349
(Reversal of)/provision for long service payment	(2,602)	542
	<b>429,582</b>	424,038

*Note:* Cost of inventories sold includes allowance for slow-moving inventories of HK\$193,000 (2012: reversal of allowance of HK\$29,000), which is included in the amount disclosed separately above.

## 8. DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interim dividend paid of HK2.50 cents (2012: HK2.30 cents) per ordinary share	74,782	68,871
Interim special dividend paid of HK0.90 cent (2012: Nil) per ordinary share	26,922	–
Proposed final dividend of HK2.88 cents (2012: HK2.88 cents) per ordinary share	89,519	86,149
Proposed special dividend of HK0.92 cent (2012: HK0.82 cent) per ordinary share	28,596	24,529
	<b>219,819</b>	179,549

The Board also proposed a bonus issue of shares on the basis of one new ordinary share of HK\$0.01 each for every ten existing shares held by the shareholders of the Company.

## 9. EARNINGS PER SHARE

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>272,529</u>	<u>222,366</u>
	<b>2013</b>	2012
<b>Number of shares</b>		
Issued ordinary shares at 1 January	<b>2,991,294,000</b>	3,007,684,000
Effect of new shares issued upon exercise of share options	<b>3,221,918</b>	4,977,050
Effect of repurchase of shares	<u>–</u>	<u>(18,139,623)</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,994,515,918</b>	2,994,521,427
Effect of dilutive potential ordinary shares arising from share options outstanding	<u>133,863,131</u>	<u>133,744,268</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>3,128,379,049</b></u>	<u>3,128,265,695</u>

## 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:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Wholesales debtors		
0-30 days	<b>6,783</b>	9,166
31-60 days	<b>2,856</b>	6,316
61-90 days	<b>1,132</b>	1,614
91-120 days	<b>1,625</b>	366
Over 120 days	<b>7,059</b>	61
	<u><b>19,455</b></u>	<u>17,523</u>
Trade receivables under credit card sales		
0-30 days	<b>35,888</b>	38,244
31-60 days	<b>5,908</b>	4,491
61-90 days	<b>214</b>	90
91-120 days	<b>1,151</b>	46
Over 120 days	<b>3,646</b>	216
	<u><b>46,807</b></u>	<u>43,087</u>
Total	<u><b>66,262</b></u>	<u>60,610</u>

## 11. TRADE PAYABLES

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0-30 days	<b>104,885</b>	84,591
31-60 days	<b>69,137</b>	50,795
61-90 days	<b>18,380</b>	17,508
91-120 days	<b>5,100</b>	4,782
Over 120 days	<b>3,038</b>	2,347
	<u><b>200,540</b></u>	<u>160,023</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results of the Group

In 2013, the overall sentiment of the Hong Kong economy and its retail market had both improved as compared with last year. Retail business in Hong Kong maintained its growth momentum. During the Year, operating performance of Bonjour remained stable. Turnover grew by 8.2% over the previous year to HK\$3,039.2 million (2012: HK\$2,807.9 million). During the Year, consolidated gross profit margin increased from 47.2% in 2012 to 47.4% in 2013. Profit attributable to shareholders of the Company increased by 22.5% to HK\$272.5 million (2012: HK\$222.4 million) due to increase in turnover. Earnings per share for the Year were HK9.1 cents (2012: HK7.4 cents), representing an increase of 23.0% over last year.

### Dividend and Bonus issue

The Board recommended payment of a final dividend of HK2.88 cents (2012: HK2.88 cents) and a special dividend of HK0.92 cent (2012: HK0.82 cent) per ordinary share for the Year. Together with interim dividend of HK2.50 cents (2012: HK2.30 cents) and interim special dividend of HK0.90 cent (2012: Nil) per ordinary share was paid, the total dividend for the Year amounted to HK7.20 cents (2012: HK6.00 cents) per ordinary share.

The Board also proposed a bonus issue of shares on the basis of one new ordinary share of HK\$0.01 each for every ten existing shares held by the shareholders of the Company.

### Retail and Wholesale Division Review

#### *Creating new brand effect with excellent reputation*

According to the latest figures announced by the Census and Statistic Department of Hong Kong, the value of total retail sales for 2013 amounted to HK\$494.5 billion, representing an increase of 11.0% from 2012. The growth in Hong Kong retail industry was mainly attributable to domestic consumption and tourism-related consumption. Retail sales for the Year increased on the back of a blooming tourism industry and an energetic domestic consumer market. The strong labour market status and the continued growth in tourism provided a solid foundation for the retail industry to grow. However, the Group will continue to monitor the external environment full of uncertainties and assess how this could affect the local economy and consumption.

For the year ended 31 December 2013, the Group's retail and wholesale division recorded a turnover of HK\$2,720.9 million, representing an increase of 8.6% over HK\$2,504.8 million of the previous year, and contributed 90.0% of our total turnover. Higher operating costs notwithstanding, Bonjour dedicated significant effort to bring in high-quality cosmetics, skincare and beauty products to meet the market need. The segmental net profit increased 30.0% to HK\$279.4 million (2012: HK\$215.0 million) during the Year. The revenue increase was primarily due to an active local consumer market as well as purchases by tourists that had given a boost to the retail industry. According to the statistics of the Hong Kong Tourism Board, total visitor arrivals into Hong Kong from January to December 2013 reached 54,298,804, representing an increase of 11.7% over previous year. Among them, 40,745,277

visitors were from Mainland China, representing an increase of 16.7% over previous year, accounted for approximately 75% of total visitor arrivals into Hong Kong. Meanwhile, the sophisticated product mix of the Group, its prudent strategy in store expansion and the provision of exclusive top quality products also contributed to the revenue growth.

### *Rents*

Bonjour had opened stores at various prime locations in major commercial districts in Hong Kong. With store rental inflation slowed down at the beginning of year, the Group continued to evaluate the market and seek opportunity for expansion by open additional stores with good prospect of profit, which was in line with the prudent policy in establishing outlets. During the course of expansion of its retail store network, the Group would also closely monitor the rental level of the new lease agreements. In 2013, the percentage of rental cost over turnover of the retail and wholesale division was 12.8% (2012: 13.7%), representing a decrease of 0.9 percentage points as compared with previous year.

As of 31 December 2013, the Group operated a total of 46 (2012: 44) stores in Hong Kong, Macau and Mainland China. Although the number of stores was similar to that of the previous year, the total income surged when compared with previous year, testifying the Group's success on improving its operating efficiency. With the effort in enhancing the operating efficiency of each retail store, profit margin had improved and offset the rising rental.

### *Marketing efforts*

Bonjour currently offers more than 24,000 beauty care products in its stores, with over 100 in-house brands and exclusive brands. We look to offer a diversified range of high quality products to consumers, and source trendy skin care products that feature latest technologies, with a vision to meet different needs in market. We acknowledge the vital role of marketing and had been working to establish brand value and absorb more customers through various promotional and marketing campaigns. During the Year, marketing expenditures of the Group's retail and wholesale division amounted to HK\$40.7 million (2012: HK\$44.2 million), representing a decrease of 7.9% to last year. With regard to the significant improvement in the marketing expenditure to turnover ratio, it is evident that our marketing strategy had enabled us to effectively achieve the expected turnover growth.

More resources were committed to the marketing and advertising effort. Bonjour had appointed Miss Rosamund, Kwan Chi Lam, Miss Ada, Choi Siu Fan, Miss Cecilia Wang, Miss Tracy Ip, Miss Jia Xiaochen, Miss Queenie Chu and Miss Sherman Chung as brand ambassadors. With their charming and glamorous displays, the high-quality brands of the Group were effectively promoted through a series of promotional events. The Group formulated its marketing strategy with a focus on customers and strived to enhance the penetration of its brands into every aspect of the daily life of consumers. On the other hand, Bonjour will continue to develop various beauty care products and high-quality services, and offer customers a way to healthy and beautiful life.

To reward our customers, Bonjour organized the “Amazing Summer Sale” for 2 weeks in July, where significant discounts were offered. Hundreds of customers queued up outside Bonjour’s Canton Road store overnight. Bonjour also had the popular TV show hostess Miss Skye Chan showcased in the related advertisement. The “Amazing Summer Sale” has been held for consecutively 5 years. The event not only attracted consumers, but also provided opportunity for the purchasing team of Bonjour to understand the change in needs of products in the market, so as to grasp further business opportunities and provide trendy, seasonal and unique products to cater for different customers. Of all categories, there had been a rapid growth in demand for domestic beauty equipment. To meet the needs of metropolitan customers with hectic life, Bonjour had introduced various domestic beauty products from Korea, making it easier to keep good looking.

#### *Enhancing online shopping experience*

The Internet and online shopping have been rapidly evolving and expanding. The Group’s online shopping service (website: [www.bonjourhk.com](http://www.bonjourhk.com)) commenced operation since 2005. Overwhelming responses have been received from consumers. Turnover from the Group’s online store in domestic and overseas markets increased by 19.9%, with revenue of HK\$52.0 million for the Year. We will continue to promote the “Bonjour” brand through new media including internet and social media and develop online shopping business of the brand in different platforms, allowing customers of Bonjour to enjoy the convenience and fun of internet shopping. During the year, the Group established its overseas flagship store at Tmall.hk that offered Mainland customers with imported products with original packaging.

#### **Beauty Services Division Review**

##### *Reveal natural beauty with charming glamour*

The pursuit of beauty is a lifelong goal for female. In recent years, a favourable environment had set in motion for the rapid development in the beauty and health industry, where there had been an increasing number of beauty salon peers of various sizes being opened. In the beauty industry, good reputation is indispensable as it underlines a brand’s effort in maintaining good relations with customers. In order to establish an amiable interdependence with our customers, Bonjour Beauty addresses customers’ genuine needs with sincerity and offers safe, quality and considerate beauty services to consumers. In addition to our strong emphasis on training front-line staff and pursuit of excellence, the requirement for a graceful and comfortable service environment should also give assurance that customers enjoy the most fabulous experience of beauty service.

As of 31 December 2013, the beauty services segment of the Group recorded revenue of HK\$318.3 million, increased 5.0% compared to HK\$303.0 million in last year. The satisfactory performance reflected that the economies of scale of this business segment had been further enhanced. As prevailing beauty technology is developing at an astonishing pace, combined with the ever-changing trend in beauty service, Bonjour’s professional medical team travels around the world every year to bring back the latest treatments and most innovative and safest beauty technologies and products to our customers.



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 been established as high-quality trademarks under “Bonjour” brand. The Group is now operating 14 “About Beauty” beauty parlors in Hong Kong, Macau, and Mainland 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, were provided. With a foresight of emerging health concepts in a modern society, we integrate Chinese and Western medical treatments into our beauty and health services with a view to achieving inner health and outer beauty. On the enhancement of 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.

### *Marketing efforts*

Bonjour’s efforts in brand promotion were recognized by our customers since last year. Miss Sharon, Chan Man Chi and Miss En Jel were appointed as the brand ambassador in Hong Kong and South Korea respectively, with an aim of beauty culture exchange and promoting feminine beauty and confidence. To reinforce Bonjour’s concept of “beauty”, the Group launched a series of advertising and promotional activities so as to further expand our market share and maintain effective promotions for our brand in the beauty service industry and strive for better results.

Beauty industry is a happiness-driven industry and centres on the enhancement of beauty and confidence for customers. The Group is determined to stand firm in the beauty service industry. As demands for medical beauty treatment, quality beauty products and new marketing strategies escalate, the Group is confident of developing into a reputable brand with its quality products and professional services. Customers may enjoy our services in a relaxing and comfortable environment and gradually become our “loyal customers”.

### *Social Responsibility*

On top of professional and quality services, the Group was committed to social responsibility and proactively supported various social activities and initiatives in order to contribute to the society, such as participation in “Yan Chai Charity Show”, “Community Care Charity Show” and “Vegetarian Feast for the Elderly on Mother’s Day”. The Company assumed sponsorship and made financial donations for many community activities and encouraged its staff and partners to join force and take part in different charity fund-raising events, with a view to support the needy people in community and contribute to the building of a society embracing diversity and integration.

## **PROSPECTS**

In 2013, the global economy secured a stable growth, albeit with uncertainties looming large over the general environment. Despite the more optimistic sentiment, we should still pay close attention at all times to potential economic downturns. Looking forward to 2014, economic environments in both Hong Kong and worldwide are expected to stabilize. Economic development in Hong Kong in 2014 will continue to be bolstered by favourable

policies adopted by the central government, and embedded with promising market prospect and immense business opportunities. Bonjour will step up its effort in expanding the customer base and secure stable growth in business.

Moreover, spending sprees by tourists visiting Hong Kong remained robust, with the consumption pattern of visitors from Mainland China now more favouring mid-range goods than luxuries as in the past. When compared to the more restrained expansion plans from luxury retails, retails of mid-range goods displayed a far more aggressive approach. Over the years, Bonjour's products have been gaining credits from consumers for their reliable quality. As Bonjour is looking forwards to achieving better results in cosmetics and beauty industry, it intends to devote further in the expansion of product categories so as to maximize coverage and diversity. We are also resolved to securing additional distributorships of renowned brands and providing top quality and caring services for our customers. At the beginning of the year, Bonjour was awarded the most valuable enterprise service award, giving yet another proof of how high recognition our brand has been attained.

With relentless efforts in innovation, Bonjour maintains its leading position in the market and is committed to its ultimate objective of providing consumers with marvelous shopping experience. To achieve this goal, the Group endeavour its utmost effort to offer competitive products and services. Product category at retail stores is widely diversified with the introduction of quality exclusive products in pursuit of business excellence. Furthermore, we 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 to capture more customers. The Group will make a move to add self-brands and brands of exclusive distributorship. This move will enable us to increase our gross profit margin and has a more active involvement in setting the price trends.

The Group firmly believes that the support from a huge loyal customer base is the key to sustainable profits in the long run. In our opinion, talents are crucial for the development of this industry and the growth of enterprises therein. An ongoing enhancement in standards of staff's knowledge and service quality will serve to the resilient development of enterprises. Thus, the philosophy of "heart-felt caring service" and commitment to service excellence apply to both front-line and management staff. The mindset is an integral part of Bonjour's stable development over twenty years when it shared the concept of beauty with its customers. Utilizing our expertise in customer services and thorough knowledge on trends of cosmetics and beauty services, we have been given a vote of confidence by our customers. The competitive edges of the Group's products and services lie in their quality and adaptability to market trends. Our long-term principle of operation is to invigorate the life of our customers and retain them with cordial services.

On the other hand, with the ever growing popularity of the Internet and increasing number of online shoppers, online shopping has developed into a feature with immense growth potential, alongside with the browsing function. Group buying is becoming a major shopping habit for a considerable population. Bonjour keeps abreast of market trends and spending pattern of customers and actively allocates more resources to develop its online store, so as to offer customers with enjoyable shopping experience in a relatively convenient way of shopping and

at prices with good values. In view of the continued improvement in the functions of online shopping and the launch of more diversified marketing campaigns, the Group believes that the online store will generate greater revenue contribution within the Group's overall operation.

With regard to beauty service industry, Hong Kong people are placing greater emphasis on their appearance and cosmetics and beauty products are gradually developing into one of the daily needs. Furthermore, as Hong Kong evolves into a knowledge-based society with extensive circulation of information, consumers' understanding in and requirements to the services and products available in the market have been enhanced. Therefore, we are more inclined to provide personalized services to customers and take their feedbacks with ardent attention. Bonjour has very high professional requirements in this aspect. In the long term, we see that it is inevitable for the beauty services industry to turn to a more professional and globalized direction of development.

In the coming year, it is expected that the rental cost will remain high in Hong Kong. Bonjour will continue to unveil its prudent store opening plans based on the market conditions. We will add 3 to 5 new retail stores 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 Group will continue to strengthen its retail branding and products portfolio, as well as to strive for same-store sales growth in order to increase the profitability of the stores.

Bonjour is in unswerving pursuit of beauty. With the top priority in beauty, we cooperate and pool the wisdom of everyone, striving to fulfill the customers' needs in beauty and health. The Group holds "honesty, reliability and excellence" as the virtue in our service, aims at providing high-quality facilities and services to the satisfaction of customers with a great variety of products and services. With customer-oriented business mindset and a prudent expansion strategy, the overall profitability of the Group reached a higher level during the period. This explains well that a shrewd and solid investment is the key to the Group's success.

Looking ahead to the future, the sentiment in the retail market are expected to record continued growth. With the gradual improvement in purchasing power of the local consumers and visitors, 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 diligently and unwaveringly. With the enduring support and trust from Shareholders and the dedicated efforts of all our staff, we will be well-positioned to achieve our 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 2013, the Group's cash and bank deposits amounted to HK\$387.5 million (2012: HK\$317.6 million). The Group's bank borrowings and finance lease payables as at 31 December 2013 were HK\$35.8 million (2012: HK\$23.5 million), out of which HK\$34.2 million (2012: HK\$21.3 million) were repayable within the next 12 months. Therefore, the Group had a net cash balance (total cash on hand minus total bank borrowings and finance lease payables) of HK\$351.7 million as at 31 December 2013 (2012: HK\$294.1 million).

As at 31 December 2013, the Group's gearing ratio was 0.090 (2012: 0.072), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK\$398.6 million (2012: HK\$324.7 million). Total liabilities to Shareholders' funds improved to 154.7% as compared to 181.9% last year. The current ratio of the Group was 1.39 in 2013 (2012: 1.22).

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 increased by HK\$9.8 million from HK\$282.0 million in 2012 to HK\$291.8 million in 2013. The profit before tax was HK\$327.8 million. The total amount of non-cash items amounting to HK\$40.8 million (mainly depreciation) was net off with a net decrease in working capital of HK\$19.1 million.

Net cash outflow from investing activities decreased by HK\$36.3 million from HK\$91.7 million in 2012 to HK\$55.4 million in 2013. The decrease was largely due to decrease in purchase of property, plant and equipment.

Net cash outflow from financing activities was HK\$192.3 million in 2013 (2012: HK\$203.2 million). The cash outflow for the Year mainly represented dividends paid, net-off with consideration received from issuance of new shares.

## Contingent Liabilities

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Guarantees given by banks for rental payment to landlords	7,176	7,176
Guarantees given by banks for a merchant bank and vendors	<u>13,660</u>	<u>13,460</u>
	<u>20,836</u>	<u>20,636</u>

## Foreign Exchange and Bank Borrowing Interest Rate Exposures

The Group has minimum exposure to foreign exchange fluctuations given that most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group monitors its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

As at 31 December 2013, the Group had short-term bank borrowings amounting to HK\$33.6 million (2012: HK\$20.7 million).

## Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2013 was 3,003,294,000 shares.

### *Exercise of Share Options*

During the Year, the Company also issued and allotted 12,000,000 new shares at exercise price of HK\$1.234 each as a result of the exercise of share options by the share option holders of the Company.

### *Repurchase of Shares*

3,082,000 ordinary shares of the Company were repurchased in prior year, and were cancelled during the Year.

## Charges on Group Assets

As at 31 December 2013, certain of the Group's assets with carrying amount of approximately HK\$19.2 million (2012: HK\$20.4 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 during the Year.

### **Events After the Reporting Period**

#### *(a) Acquisition of property*

On 18 February 2014, the Group has entered into (1) the agreement between Active Earn Limited, an indirect wholly-owned subsidiary of the Company, (as the purchaser) and Million Worldwide Investment Limited (the “Vendor”) for sale and purchase of the entire issued share capital of Wealthy Train Limited (the “Target Company”) at a consideration of HK\$3,321,616 (the “Share Sale Agreement”) and (2) the agreement between Bonjour Cosmetic Wholesale Center Limited, an indirect wholly-owned subsidiary of the Company, (as the purchaser) and the Vendor for assignment of all of the loan owed by the Target Company to the Vendor, being HK\$160,578,384 (the “Debt Sale Agreement”).

The Target Company is a company incorporated in Hong Kong with limited liability and the principal business of which is property investment holding and its principal asset is a property which is currently leased to and occupied as retail shops of the Group at a monthly fee of HK\$370,000. The valuation of the property owned by the Target Company at Shop 2 and Shop 3A on Ground Floor, Dang Fat Mansion, 10/16 & 20 Tai Ho Road, 8/12 Dung Fat Street & 7/11 On Wing Street, Tsuen Wan, New Territories (the “Property”) is approximately HK\$163.0 million as at 6 January 2014.

The Target Company has become a wholly-owned subsidiary of the Company upon the completion of the Share Sale Agreement and the Debt Sale Agreement took place on 21 February 2014.

Details of the above acquisition were published in the Company’s announcements dated 18 February 2014 and 21 February 2014.

#### *(b) Shares placing*

In order to finance the acquisition of the Property, the Company has entered into a conditional placing agreement on 16 January 2014, for placing up to 105,000,000 shares of the Company (the “Placing Share(s)”) to not fewer than six independent third parties, at a discount placing price of HK\$1.56 per Placing Share, representing 3.38% of the enlarged share capital (the “Placing”).

The Placing was completed on 4 February 2014. All 105,000,000 Placing Shares had been successfully placed at the placing price of HK\$1.56 per Placing Share. The net proceeds from the Placing was HK\$158.0 million.

Details of the above placing were published in the Company’s announcements dated 16 January 2014 and 4 February 2014.

## **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 2013, the Group had approximately 1,720 (2012: 1,730) full-time and part-time employees in Hong Kong, Macau and the PRC. For the Year, the total staff cost including directors' emoluments amounted to approximately HK\$429.6 million.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

3,082,000 ordinary shares of the Company were repurchased in prior year, and were cancelled during the Year and the issued share capital of the Company was reduced by the par value thereof.

In addition, the Company has issued and allotted 12,000,000 new shares at exercise price of HK\$1.234 as a result of the exercise of share options by the share option holders of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Year.

## **DIVIDENDS AND BONUS ISSUE**

The Board recommended payment of a final dividend of HK2.88 cents (2012: HK2.88 cents) and a special dividend of HK0.92 cent (2012: HK0.82 cent) per ordinary share for the Year. Also, the Board recommend a bonus issue to the shareholders of the Company (except certain overseas shareholders) on the basis one bonus share (the "Bonus Share(s)") for every ten existing ordinary shares (the "Bonus Issue"). The Bonus Shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The Bonus Shares will rank pari passu in all respects with the ordinary shares of the Company.

The Bonus Issue is conditional upon:

- (i) the approval of the Bonus Issue by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held;
- (ii) the Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares; and
- (iii) compliance with the relevant legal procedures and requirements under the Companies Law and the articles of association of the Company to effect the Bonus Issue.

The necessary resolution will be proposed at the forthcoming annual general meeting of the Company. A circular containing, among other things, further details of the Bonus Issue will be dispatched to the shareholders of the Company as soon as practicable.

Together with interim dividend of HK2.50 cents (2012: HK2.30 cents) and interim special dividend of HK0.90 cent (2012: Nil) per ordinary share was paid, the total dividend for the Year amounted to HK7.20 cents (2012: HK6.00 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 2014 and payable on or about 9 June 2014.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14 May 2014 to 16 May 2014, 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 2014.

In addition, the register of members of the Company will also be closed on 23 May 2014 to 27 May 2014, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, special dividend and Bonus Shares, 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 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 not later than 4:30 p.m. on 22 May 2014.



## **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 deviation 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 and audited by the independent auditor of the Company, RSM Nelson Wheeler.

## **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, 27 March 2014

*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.*