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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 (the “Period”) (the “Interim Results”), together with comparative figures for the corresponding period last year. The Interim Results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	2	1,486,956	1,434,451
Cost of goods sold		<u>(774,137)</u>	<u>(754,696)</u>
Gross profit		712,819	679,755
Other income	4	25,737	28,053
Distribution costs		(44,761)	(49,118)
Administrative expenses		(557,942)	(508,282)
Other operating expenses		<u>(5,119)</u>	<u>(261)</u>
Profit from operations		130,734	150,147
Finance costs	5	<u>(515)</u>	<u>(473)</u>
Profit before tax		130,219	149,674
Income tax expense	6	<u>(20,945)</u>	<u>(24,887)</u>
Profit for the period attributable to owners of the Company	7	<u>109,274</u>	<u>124,787</u>
Earnings per share	8		
Basic		<u>HK3.2 cents</u>	<u>HK4.2 cents</u>
Diluted		<u>HK3.1 cents</u>	<u>HK4.0 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Profit for the period	<u>109,274</u>	<u>124,787</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>961</u>	<u>(611)</u>
Other comprehensive income for the period, net of tax	<u>961</u>	<u>(611)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>110,235</u>	<u>124,176</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 (Unaudited) <i>HK\$'000</i>	At 31 December 2013 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		230,025	78,682
Rental and utility deposits		77,895	83,168
Deferred tax assets		4,153	4,153
		312,073	166,003
Current assets			
Inventories		322,415	270,564
Trade receivables	10	71,389	66,262
Rental and utility deposits		77,590	54,081
Prepayments, deposits and other receivables		105,699	65,333
Current tax assets		5,434	5,414
Pledged bank deposits	11	19,000	19,164
Bank and cash balances	11	220,931	368,337
		822,458	849,155
Current liabilities			
Trade payables	12	183,922	200,540
Other payables, deposits received and accrued charges		104,393	121,493
Deferred revenue		226,725	212,847
Short-term bank borrowings	13	18,981	33,634
Trade finance loans	13	10,839	11,144
Finance lease payables		608	608
Current tax liabilities		42,015	30,811
Bank overdrafts		73	–
		587,556	611,077
Net current assets		234,902	238,078
Total assets less current liabilities		546,975	404,081

		At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Non-current liabilities			
Deposits received		2,400	–
Finance lease payables		1,268	1,572
Deferred tax liabilities		942	942
Long service payment liabilities		<u>3,006</u>	<u>3,006</u>
		<u>7,616</u>	<u>5,520</u>
NET ASSETS		<u>539,359</u>	<u>398,561</u>
Capital and reserves			
Share capital	<i>14</i>	34,106	30,033
Reserves		<u>505,253</u>	<u>368,528</u>
TOTAL EQUITY		<u>539,359</u>	<u>398,561</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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)	(9,684)	78	–	–	–	–	–	(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)	<u>34,106</u>	<u>220,372</u>	<u>1,017</u>	<u>415</u>	<u>258</u>	<u>54,889</u>	<u>(310)</u>	<u>228,612</u>	<u>539,359</u>
At 1 January 2013 (Audited)	29,913	56,710	939	415	258	59,630	(161)	177,012	324,716
Total comprehensive income for the period	–	–	–	–	–	–	(611)	124,787	124,176
2012 final dividends paid	–	–	–	–	–	–	–	(110,678)	(110,678)
At 30 June 2013 (Unaudited)	<u>29,912</u>	<u>56,710</u>	<u>939</u>	<u>415</u>	<u>258</u>	<u>59,630</u>	<u>(772)</u>	<u>191,121</u>	<u>338,214</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities		(3,006)	73,903
Net cash outflow from investing activities		(160,901)	(17,075)
Net cash inflow/(outflow) from financing activities		15,303	(126,551)
Decrease in cash and cash equivalents		(148,604)	(69,723)
Cash and cash equivalents at 1 January		387,501	317,589
Effect of foreign exchange rate changes		961	(611)
Cash and cash equivalents at 30 June		<u>239,858</u>	<u>247,255</u>
Analysis of cash and cash equivalents			
Bank and cash balances	<i>11</i>	239,931	247,255
Bank overdrafts	<i>13</i>	(73)	–
		<u>239,858</u>	<u>247,255</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013. 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 2013.

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current Period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. TURNOVER

Revenue recognized during the Period are as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sales of merchandise	1,330,030	1,279,845
Service income of beauty treatment services	149,728	146,219
Commission income	7,198	8,387
	<u>1,486,956</u>	<u>1,434,451</u>

3. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group’s consolidated financial statements for the year ended 31 December 2013.

Information about reportable segment profit or loss:

	Wholesaling and retailing of beauty and health-care products (Unaudited) <i>HK\$'000</i>	Operation of beauty and health salons (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2014				
Revenue from external customers	1,337,228	149,728	–	1,486,956
Intersegment revenue	1,853	–	–	1,853
Segment profit	113,292	9,377	–	122,669
Interest revenue	–	–	2,296	2,296
Interest expense	–	–	515	515
Depreciation	<u>12,773</u>	<u>9,238</u>	<u>–</u>	<u>22,011</u>
	Wholesaling and retailing of beauty and health-care products (Unaudited) <i>HK\$'000</i>	Operation of beauty and health salons (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2013				
Revenue from external customers	1,288,232	146,219	–	1,434,451
Intersegment revenue	1,107	–	–	1,107
Segment profit	134,156	9,984	–	144,140
Interest revenue	–	–	516	516
Interest expense	–	–	473	473
Depreciation	<u>10,509</u>	<u>9,463</u>	<u>–</u>	<u>19,972</u>

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited) (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	1,488,809	1,435,558
Elimination of intersegment revenue	(1,853)	(1,107)
	<hr/>	<hr/>
Consolidated revenue	1,486,956	1,434,451
	<hr/>	<hr/>
Profit or loss		
Total profit or loss of reportable segments	122,669	144,140
Unallocated amounts:		
Other income	8,065	6,007
Finance costs	(515)	(473)
	<hr/>	<hr/>
Consolidated profit before tax	130,219	149,674
	<hr/>	<hr/>

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2,297	516
Rental income	5,672	7,046
Licence income	12,000	15,000
Sundry income	5,768	5,491
	<hr/>	<hr/>
	25,737	28,053
	<hr/>	<hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank borrowings	492	423
Finance lease charges	23	50
	<hr/>	<hr/>
	515	473
	<hr/>	<hr/>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the Period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	Six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	19,740	22,600
Overseas	1,205	2,287
	<u>20,945</u>	<u>24,887</u>

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Costs of goods sold	774,137	754,696
Depreciation	22,011	19,972
(Gains)/loss on disposal of property, plant and equipment	78	(121)
Net exchange losses	4,947	383
	<u>4,947</u>	<u>383</u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$109,274,000 (2013: HK\$124,787,000), and the weighted average of 3,410,615,999 (2013: 3,290,423,400 (restated)) ordinary shares in issue during the Period. The weighted average number of ordinary shares in issue for 2013 had been adjusted for bonus shares issued on 12 June 2014.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$109,274,000 (2013: HK\$124,787,000). The weighted average number of ordinary shares used in the calculation is 3,410,615,999 (2013: 3,290,423,400 (restated)) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 148,718,973 (2013: 156,104,901 (restated)) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all share options during the Period.

9. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interim, proposed of HK2.0 cents (2013: HK2.5 cents) per ordinary share	68,212	74,782
Special, Nil (2013: HK0.9 cent) per ordinary share	–	26,922

At a Board meeting held on 22 August 2014, the Board declared an interim dividend of HK2.0 cents (2013: HK2.5 cents) per ordinary share. These proposed dividends are not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014. The Board did not recommend the payment of any special dividend (2013: HK0.9 cent per ordinary share) for the period.

10. TRADE RECEIVABLES

The Group's sales to wholesale customers are entered into on credit terms ranging from 60 to 90 days, and trade receivables under credit card sales are due within 150 days from the date of billings. The ageing analysis of trade receivables is as follows:

	At 30 June	At 31 December
	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
Wholesales debtors		
0 – 30 days	5,504	6,783
31 – 60 days	5,167	2,856
61 – 90 days	3,693	1,132
91 – 120 days	2,838	1,625
Over 120 days	11,214	7,059
	28,416	19,455
Trade receivables under credit card sales		
0 – 30 days	37,476	35,888
31 – 60 days	4,917	5,908
61 – 90 days	301	214
91 – 120 days	54	1,151
Over 120 days	225	3,646
	42,973	46,807
Total	71,389	66,262

11. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Cash at bank and on hand	166,257	321,925
Time deposits	73,674	65,576
	<u>239,931</u>	<u>–</u>
Less: Pledged bank deposits	(19,000)	(19,164)
	<u>220,931</u>	<u>387,501</u>
Bank and cash balances	220,931	387,501
Less: Non-pledged bank deposits with more than three months to maturity	(54,674)	(46,412)
	<u>166,257</u>	<u>321,925</u>

12. TRADE PAYABLES

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0 – 30 days	98,241	104,885
31 – 60 days	57,861	69,137
61 – 90 days	20,738	18,380
91 – 120 days	3,031	5,100
Over 120 days	4,051	3,038
	<u>183,922</u>	<u>200,540</u>

13. BANK BORROWINGS

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Trade finance loans	10,839	11,144
Short-term bank borrowings	18,981	33,634
	<u>29,820</u>	<u>44,778</u>

14. ACQUISITION OF PROPERTY

On 21 February 2014, the Group has completed an acquisition of a property amounting to HK\$163.9 million. The acquired property is currently occupied by the Group as retail shop and has been recorded as the Group's property, plant and equipment. For details of the acquisition, please refer to the Group's announcement dated 18 February 2014.

15. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group

In view of the overall retail market in Hong Kong during the first half of 2014, slowing sales growth amid rising costs has curtailed sales productivity, profit margins and rental affordability of retailers. Retail market performance was subdued over the first six months of 2014. Nevertheless, Bonjour Holdings Limited (“Bonjour” or “the Group”) maintained competitive results during the first half of 2014.

During the six months ended 30 June 2014 (“the review period”), the interim results of Bonjour showed turnover of HK\$1,487.0 million (2013: HK\$1,434.5 million), representing an increase of 3.7% from the last corresponding period. Growth profit margin slightly improved from 47.4% to 47.9%. Profit attributable to owners of the Company decreased by 12.4% to HK\$109.3 million (2013: HK\$124.8 million).

The Board proposed an interim dividend of HK\$2.0 cents (2013: HK\$2.5 cents) per ordinary share for the review period and did not proposed any special dividend (2013: HK\$0.9 cents) for the review period.

Business Review

Retail and Wholesale Division

During the first half of 2014, the retail and wholesale division of the Group recorded turnover of HK\$1,337.2 million, representing an increase of 3.8% from HK\$1,288.2 million from the last corresponding period. During the review period, according to the official statistics released by the Hong Kong Tourism Board, the total number of visitor arrivals to Hong Kong was approximately 28.5 million, increased by 12.5% compared with that of the last corresponding period. There was indication that the continued increasing rate in the number of visitors in the past few years started to be cool down and more arguments to the Governmental visitors’ policy arose. General retail business environment has become more challenging. Confronted by such business environment, the Group continued its efforts by providing high quality products at reasonable prices to its customers.

The Group tried to turn the challenging retail environment into opportunity. During the review period, a certain number of landlords became less aggressive on rental affairs than the previous year. This is the principle reason that Bonjour opened 5 new stores (2013: 3 stores) during the first half year. The Group gradually expanded its retailed networks although such expansion has first increased the amount of agency fee. Also, it took approximately one month to complete the decoration for each newly opened store while no revenue was generated in these decoration periods. However, the Group still needs to pay rent in these decoration period according to the generally accepted accounting practice which lead to a relatively poor performance for the period under review. This leads to a decreased of the division’s net profit by 14.4% to HK\$99.2 million (2013: HK\$115.9 million) for the review period. The Group expected that such effect will only be one-off and non-recurring for each rental agreement.

Beauty Services Division

During the review period, Bonjour operated 13 “About Beauty” parlors and 6 auxiliary beauty services centers. We provided customers with high quality and a wide range of services, for instance, foot massage, manicure and cosmetic dermatology services in Hong Kong, Macau and Shanghai. The beauty services division recorded a segment revenue of HK\$149.7 million (2013: HK\$146.2 million), representing an increase of 2.4%. Segment profit for the review period was HK\$9.4 million (2013: HK\$10.0 million). The slight decline in segment profit was principally due to the increase in operating cost, in particular rental expenses.

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 brand loyalty, Bonjour beauty services address customers’ genuine needs with sincerity and offers safe, quality and tailor-made beauty services. In addition to our strong emphasis on training front-line staff and pursuit of excellence, a graceful and comfortable service environment should also give assurance that customers enjoy the most fabulous experience of beauty service.

Rental

Bonjour managed rental cost prudently during the review period. We closed stores that suffered unreasonable rent hikes and opened stores in nearby locations with feasible rental prices. In this case, we struck a balance between business expansion and control of the operating cost. Adhering to the provident expansion plan, the total number of retail stores resulted in net increase of 2 stores to 47 (2013: 45) as of 30 June 2014. The Group is enhancing operation on every effort to offset rising rental cost by improving profit margin.

Marketing and Brand Management

As a leading cosmetics retailer with strong fundamentals, a visionary business strategy and market-driven approach, the Group was capable of capturing opportunities and optimizing returns in distinct markets.

Bonjour currently offers more than 24,000 beauty and health-care products in its stores, with over 100 in-house brands and exclusive dealership brands. We aim to offer a diversified range of high quality products to consumers, and source trendy skincare 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 attract more customers through various promotional and marketing campaigns. During the review period, marketing expenditures of the Group’s retail and wholesale division amounted to HK\$14.9 million (2013: HK\$22.3 million), representing a decrease of 33.0% compared to the last corresponding period. With regard to the significant improvement in the marketing expenditure to turnover ratio from 1.73% to 1.12%, it is evident that our marketing strategy had enabled us to effectively achieve the expected turnover growth.

Our product strategy is market-driven and customer-focused. We are able to respond quickly to market changes and consumer demands thanks to our well-established business model. We continue to enhance our product offerings through diversification and differentiation.

Online Retail

E-commerce is the fastest growing retail market in the world. During the review period, the Group recorded sales growth in both local and overseas markets by 0.4% to HK\$22.5 million (2013: HK\$22.4 million). We believe our high product quality, reliable transaction security and logistics convenience will continue to expand our online business by acquiring new target customers and increasing purchasing transactions. We are dedicated to improving the navigation, design and search mechanism of our website to enhance users' experience.

Prospects

Hong Kong retail market is expected to be more challenging in the second half of 2014 due to weaker consumer spending sentiment, higher operating costs and more political disputes environment. It is a challenge for the whole retail sector to sustain the continuous growth from previous years as a result of witnessing a decreasing purchasing power of the mainland visitors. We are cautious on the change of tourist shopping spree to the fact that more citizens in lower-tier cities afford to travel abroad while the higher-tier cities overflows to other foreign tourist markets, the relatively lower purchasing power might adversely affect the amount per transaction. However, the increase in the total number of visitors and thus the number of transaction can offset such impact.

Nevertheless, Bonjour will stay sensitive and responsive to the changing market conditions and remain cautious on the operating strategies. We are confident in sustaining growth adhering the aim to enhance the Group's gross profit margin, improve operational efficiency and enhance scalability. By offering our own and other exclusively districted brands, we play an active role in setting price trends and as such improving the gross profit margin.

We strongly believe that high quality and compassionate care service on top of innovative skincare and beauty products will enable the Group to create long-lasting relationships with customers. We understand the importance of selecting the right beauty products and services, as well as the quality and diverse products from users' perspective to satisfy each customer's need. Bonjour has strong and multi-faceted brand perception across all regions, the ability to adapt to customers' changing demand for cosmetics products and consumption habits in Mainland China, Hong Kong and Macau are our Bonjour's key successful factors.

Regarding the China market, the Group might benefit from the amendment of the general consumption tax rate. In June 2014, China's Ministry of Finance announced considering a new classification of cosmetics products from which our Group might benefit from some general consumption tax saving with respect to the business development in China. The Group will keep up with changes in the Chinese Government policy and embrace appropriate strategies to achieve long-term growth.

The retail network of the Group has two fronts: an extensive physical stores network and the flourishing e-commerce platforms. We continued our prudent strategy to develop in China leveraging considerable local market knowledge and experience, while capturing opportunities in prime tourist locations in Hong Kong and Macau, improving productivity and enhancing same store sales growth. In addition, we understand the impacts of online retailing on traditional retailing escalating. Therefore, we invested resources to accelerate e-commerce

growth and deliver an all-rounded shopping experience by deploying our e-commerce platforms as powerful channels for digital marketing. The Group is currently enjoying growth in online purchasing through e-commerce channels, including flagship stores on T-mall and online shopping sites covering both the Hong Kong and PRC markets. The Online to Offline commerce has been successful in providing information and discounts to users and increasing brand awareness. We expect a higher potential growth in the near future.

Going forward rental cost is expected to remain a challenge to the Group. Tier-one rentals in Hong Kong should maintain at high levels but with milder increments per year. In light of more vacant shop fronts in tier-two locations, rental growth there is expected to slow down a bit in 2014 second half. Bonjour will maintain prudent in selecting venues for expansion or store relocation based on the market conditions. Our operational strategies and proven past approaches help increase the same store growth rate in addition to gross profit margin. In addition, we will continue focusing on customers to create long-term relationships and enrich our product portfolio. Albeit at a slower market growth pace, consumer sentiment is generally positive as beauty products and services are treated as necessities nowadays. Furthermore, we will seek mergers and acquisitions opportunities with corporations, identifying firms whose products and services are complementary with the Group. We believe that the expansion of the PRC market and online shopping platforms would capture exponential growth and bring extra value to stakeholders.

Disposal of the salon business

On 20 August 2014, the Group has entered into an agreement with Town Health International Medical Group Limited (“Town Health”), a company listed on the Stock Exchange of Hong Kong Limited. Under the agreement, subject to certain conditions precedent, upon completion, the Group will become the second largest shareholders of Town Health and Town Health will own 100% of the Group’s salon businesses. Management of the Group expected that the consolidation of the Group’s intensive experience in the 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.

Upon Completion, the Group shall not hold any equity interest in the disposal companies, where these will cease to be a subsidiary 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 Company.

It is expected that the Group shall record an unaudited accounting gain of approximately HK\$420 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.

Financial Review

Liquidity and Financial Resources

As at 30 June 2014, the Group's cash and bank deposits amounted to HK\$239.9 million (31 December 2013: HK\$387.5 million). The Group's bank borrowings and finance lease payables as at 30 June 2014 were HK\$20.9 million (31 December 2013: HK\$35.8 million), out of which, HK\$19.6 million (31 December 2013: HK\$34.2 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2014 was 0.039 (31 December 2013: 0.090), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK\$539.4 million (31 December 2013: HK\$398.6 million). The current ratio of the Group as at 30 June 2014 was 1.40 (31 December 2013: 1.39).

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\$3.0 million (2013: inflow HK\$73.9 million). The profit before tax was HK\$130.2 million. The total amount of non-cash items amounting to HK\$20.1 million (mainly depreciation and share-based compensation expense) and was net off with a net decrease in working capital of HK\$143.1 million.

Net cash outflow from investing activities for the Period was HK\$160.9 million (2013: HK\$17.1 million), which mainly represented capital expenditure on purchase a property amounting to HK\$163.2 million, and increase in pledged deposits and non-pledged but more than 3 months maturity deposits amounting to HK\$8.1 million in the Period.

Net cash inflow from financing activities for the Period was HK\$15.3 million (2013: outflow HK\$126.6 million), which mainly represented dividends paid and repayment of bank borrowings in the Period.

Contingent Liabilities

As at 30 June 2014, the Group had contingent liabilities totaling HK\$21.9 million (31 December 2013: HK\$20.8 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 2014, 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 did not issue and allot new shares under any share option scheme.

Bonus Issue

On 12 June 2014, 310,055,999 ordinary shares were issued at par value at HK\$0.01 per ordinary share pursuant to the bonus issue of 1 bonus share for every 10 existing ordinary shares held on 4 June 2014.

Repurchase of Shares

7,734,000 ordinary shares of the Company were repurchased and cancelled during the Period.

Placing

On 4 February 2014, 105,000,000 placing shares have been successfully placed by the placing agent, Astrum Capital Management Limited to not fewer than six places at the placing price of HK\$1.56 per placing share.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2014 was 3,410,615,999.

Charge on Group Assets

As at 30 June 2014, certain of the Group's assets with a net book value of approximately HK\$19.0 million (31 December 2013: HK\$19.2 million) were pledged to secure banking facilities granted to the Group.

Significant Investments

On 25 June 2014, it was announced that Apex Frame Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, has entered into a formal sale and purchase agreement with Warrington and Company Limited (the "Vendor"), pursuant to which, amongst other things, the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the property owned by the Vendor at Nos.36–42 and Nos.44–50 Wang Wo Tsai Street, Tsuen Wan, New Territories, Hong Kong (Lot Nos.458 and 488 in D.D.443) (the "Property") for a purchase price in the amount of HK\$490,000,000.00 (the "Acquisition"). The total gross floor area of the Property is about 223,804 square feet and the Group will hold the Property for self use as well as for investment purposes by providing spaces for main offices and storage for the Group and for rental income. For details of this investment, please refer to the Group's announcement dated 25 June 2014. The expected time for the despatch of circular is on or before 29 August 2014.

Save as disclosed above, the Group did not have any significant investments during the Period.

Material Acquisition or Disposal of Subsidiaries and Associated Companies

On 6 January 2014 (after the trading hours), the Company has entered into the memorandum of understanding with Town Health International Investments Limited (“Town Health”) pursuant to which the Company (via its subsidiaries) is intended to acquire and Town Health (via Millian Worldwide Investment Limited (the “Vendor 2”)) is intended to dispose of (1) the entire issued share capital of Wealthy Train Limited (the “Target Company”) (the “Sale Share”) and (2) all of the loan owed by the Target Company to the Vendor 2, being HK\$160,638,449 as at 31 October 2013 (the “Sale Debt”). The Target Company is an indirect non-wholly owned subsidiary of Town Health.

On 18 February 2014 (after trading hours), Active Earn Limited (as the purchaser), the Vendor 2 and the Vendor 2’s Guarantor (Town Health) entered into the share sale agreement, pursuant to which Active Earn conditionally agreed to purchase and the Vendor 2 conditionally agreed to sell the Sale Share at a consideration of HK\$3,321,615.75 (the “Share Sale Agreement”).

On 18 February 2014 (after trading hours), Bonjour Cosmetic Wholesale Center Limited (“Bonjour Cosmetic”) (as the purchaser), the Vendor 2 and the Vendor 2’s Guarantor entered into the debt sale agreement, pursuant to which the Vendor 2 conditionally agreed to assign to Bonjour Cosmetic the Sale Debt at a consideration of HK\$160,578,384.25 (“the “Debt Sale Agreement”).

On 21 February 2014, all conditions precedent to the Share Sale Agreement and the Debt Sale Agreement were fulfilled and completion of the transaction took place in accordance with the terms and conditions of the Share Sale Agreement and Debt Sale Agreement respectively. The Target Company has become a wholly owned subsidiary of the Group, the financial results and assets and liabilities of which will be consolidated into the financial statements of the Group accordingly.

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 2014, the Group had approximately 1,609 (2013: 1,788) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period were HK\$219.8 million (2013: HK\$211.1 million). The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individual’s performance. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.

Dividends

The Board has resolved to declare an interim dividend of HK2.0 cents (2013: HK2.5 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 11 September 2014 and such payment is expected on or around 23 September 2014. The Board did not recommend the payment of any special dividend (2013: HK0.9 cent per ordinary share) for the period.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 8 September 2014 to 11 September 2014, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK2.0 cents per ordinary share of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 5 September 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

7,734,000 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.

In addition, on 4 February 2014, 105,000,000 placing shares have been successfully placed by the placing agent, Astrum Capital Management Limited to not fewer than six places at the placing price of HK\$1.56 per placing share.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the Period.

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, 22 August 2014

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.