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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 2010
AND EXPECTED TIMETABLE FOR
PROPOSED BONUS ISSUE OF SHARES**

The board of directors (the “Director(s)”) (the “Board”) of Bonjour Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2010 (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

	<i>Note</i>	Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	2	1,000,554	773,743
Cost of goods sold		(589,190)	(439,047)
Gross profit		411,364	334,696
Other income	4	6,431	7,616
Distribution costs		(29,712)	(18,446)
Administrative expenses		(284,023)	(240,851)
Other operating expenses		(1,369)	–
Profit from operations		102,691	83,015
Finance costs	5	(798)	(293)
Share of profits of an associate		–	307
Profit before tax		101,893	83,029
Income tax expense	6	(17,024)	(13,588)
Profit for the period attributable to owners of the Company	7	84,869	69,441
Earnings per share (2009: restated)	8		
Basic		HK6.0 cents	HK5.1 cents
Diluted		HK5.5 cents	HK4.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	84,869	69,441
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>3</u>	<u>72</u>
Other comprehensive income for the period, net of tax	<u>3</u>	<u>72</u>
Total comprehensive income for the period attributable to owners of the Company	<u>84,872</u>	<u>69,513</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2010 (Unaudited) <i>HK\$'000</i>	At 31 December 2009 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		50,797	50,952
Prepaid land lease payments		1,495	1,508
Rental and utility deposits		45,027	42,301
Held-to-maturity investments		3,405	3,405
Deferred tax assets		1,990	3,020
		102,714	101,186
Current assets			
Inventories		178,706	170,313
Trade receivables	10	23,578	25,781
Rental and utility deposits		16,729	16,369
Prepayments, deposits and other receivables		33,231	26,312
Current tax assets		2,287	54
Pledged bank balances		1,389	1,389
Bank and cash balances		220,201	212,335
		476,121	452,553
Current liabilities			
Trade payables	11	97,420	121,650
Other payables, deposits received and accrued charges		51,521	68,524
Deferred revenue		34,884	31,746
Current portion of long-term bank borrowings		3,048	3,144
Short-term bank borrowings		7,547	15,000
Trade finance loans		26,069	40,394
Finance lease payables		973	1,042
Current tax liabilities		28,557	16,731
		250,019	298,231
Net current assets		226,102	154,322
Total assets less current liabilities		328,816	255,508

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Non-current liabilities		
Long-term bank borrowings	1,000	2,500
Finance lease payables	1,160	1,766
Long service payment liabilities	1,444	1,444
	<u>3,604</u>	<u>5,710</u>
NET ASSETS	<u>325,212</u>	<u>249,798</u>
Capital and reserves		
Share capital	14,912	2,294
Reserves	310,300	247,504
TOTAL EQUITY	<u>325,212</u>	<u>249,798</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 2009. 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 2009 except as stated below.

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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); 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, 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sales of merchandise	881,115	662,271
Service income of beauty treatment services	110,410	102,488
Recognition of service income attributable to expired prepaid packages	2,021	2,244
Commission income	7,008	6,740
	<u>1,000,554</u>	<u>773,743</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 2009.

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>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2010			
Revenue from external customers	888,123	112,431	1,000,554
Intersegment revenue	765	–	765
Segment profit	77,939	18,321	96,260
Interest revenue	9	4	13
Interest expense	798	–	798
Depreciation and amortisation	6,930	5,424	12,354
Income tax expense	14,488	2,536	17,024
Other material non-cash items: Share-based payments	<u>2,523</u>	<u>319</u>	<u>2,842</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>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2009			
Revenue from external customers	669,011	104,732	773,743
Intersegment revenue	705	–	705
Segment profit	47,294	28,412	75,706
Interest revenue	65	–	65
Interest expense	293	–	293
Depreciation and amortisation	4,576	5,892	10,468
Share of profits of an associate	307	–	307
Income tax expense	8,619	4,969	13,588
Other material non-cash items: Share-based payments	<u>8,272</u>	<u>1,295</u>	<u>9,567</u>

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	1,001,319	774,448
Elimination of intersegment revenue	<u>(765)</u>	<u>(705)</u>
Consolidated revenue	<u>1,000,554</u>	<u>773,743</u>
Profit or loss		
Total profit or loss of reportable segments	96,260	75,706
Unallocated amounts:		
Other income	6,431	7,616
Finance costs	<u>(798)</u>	<u>(293)</u>
Consolidated profit before tax	<u>101,893</u>	<u>83,029</u>

4. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	13	65
Rental income	4,858	4,308
Other income	1,560	3,243
	<hr/>	<hr/>
	6,431	7,616

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank borrowings and overdrafts	733	242
Finance lease charges	65	51
	<hr/>	<hr/>
	798	293

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	15,014	11,660
Overseas	980	841
Deferred tax	1,030	1,087
	<hr/>	<hr/>
	17,024	13,588

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Amortisation of lease premium for land	13	13
Costs of inventories sold	589,190	439,047
Depreciation	12,341	10,455
Loss/(gain) on disposal of property, plant and equipment	308	(44)
Gain on disposal of investment in an associate	–	44
Net exchange losses/(gains)	1,061	(1,441)

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$84,869,000 (2009: HK\$69,441,000), and the weighted average of 1,411,315,000 (2009: 1,350,162,000 as restated) ordinary shares in issue during the Period.

During the Period, the Company approved a bonus issue of ordinary shares on the basis of five new shares of par value of HK\$0.01 each for every existing shares of par value of HK\$0.01 each on 20 May 2010 ("Bonus Issue"). The weighed average number of ordinary shares for the period ended 30 June 2009, as if the Bonus Issue had occurred on 1 January 2009, was deemed to be 1,350,162,000 shares (225,027,000 shares before restatement).

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$84,869,000 (2009: HK\$69,441,000). The weighted average number of ordinary shares used in the calculation is 1,411,315,000 (2009: 1,350,162,000 as restated) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 127,297,000 (2009: 77,478,000 as 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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interim, proposed of HK4.5 cents (2009: HK20.0 cents) per ordinary share	67,104	44,828
Special, proposed of HK1.2 cents (2009: Nil) per ordinary share	17,895	–
	84,999	44,828

At a Board meeting held on 26 August 2010, the Board declared an interim dividend of HK4.5 cents and a special dividend of HK1.2 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 2010.

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 120 days (2009: 120 days) from the date of billings. The ageing analysis of trade receivables is as follows:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Wholesales debtors		
0 – 30 days	3,548	1,806
31 – 60 days	1,148	1,915
61 – 90 days	333	29
91 – 120 days	–	25
Over 120 days	4	39
	<u>5,033</u>	<u>3,814</u>
Trade receivables under credit card sales		
0 – 30 days	15,762	12,721
31 – 60 days	2,499	5,539
61 – 90 days	107	3,657
91 – 120 days	177	50
	<u>18,545</u>	<u>21,967</u>
Total	<u>23,578</u>	<u>25,781</u>

11. TRADE PAYABLES

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

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
0 – 30 days	45,820	72,679
31 – 60 days	33,181	35,753
61 – 90 days	13,202	10,451
91 – 120 days	4,230	2,712
Over 120 days	987	55
	<u>97,420</u>	<u>121,650</u>

12. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Our unwavering commitment to continually provide our customers with quality goods and services at the lowest possible prices is always the key focus of Bonjour Holdings Limited (“Bonjour”) which drives our competitive advantage. In a fiercely competitive market, Bonjour has exerted tremendous efforts in streamlining retail management in a bid to excel and to achieve long-term progress. Here, we are pleased to share with our stakeholders the continual success Bonjour made during the Period.

Thanks to the positive outlook of the People’s Republic of China (“PRC”) economy which continues to bolster travel and consumption sentiments, the Group’s turnover for the first half of 2010 amounted to HK\$1,000.6 million, representing an increase of 29.3% compared to the same period of last year (2009: HK\$773.7 million). Profit attributable to owners of the Company increased by 22.3% to HK\$84.9 million (2009: HK\$69.4 million). Besides the contribution from the soaring number of tourists from PRC, the Group’s encouraging performance and growth rate were also in view of our prudent cost control together the widened spectrum of products. This highly reflects the success of our expansion strategy and business operations.

Unaudited consolidated gross profit margin was 41.1% (2009: 43.3%) for the first half of 2010. The slight decrease of the unaudited consolidated gross profit was due to the stretching out of the relatively lower margin retail segment during the Period which accounted for over 88% of the total turnover. Nonetheless, attributable to our well-thought merchandizing strategy, the unaudited consolidated gross profit margin was improved in comparison with that in the second half of 2009.

The Board proposed an interim dividend of HK4.5 cents (2009: HK20.0 cents) and a special dividend of HK1.2 cents (2009: Nil) per ordinary share for the Period. The Board also proposes to make a bonus issue of new shares of HK\$0.01 each to the shareholders of the Company on the basis of one bonus share for every one ordinary share held.

Business Review

Sustainability in the Ever Competitive Retail and Wholesale Services Market

Our merchandising strategy is a key component to our success, and it is basically the same today as it was at our inception 19 years ago: to bring quality goods and services to our customers at the lowest possible prices. Meanwhile, Hong Kong’s tourism industry appeared to be surviving the slow economic recovery as official figures revealed that PRC visitor arrivals to Hong Kong surpassed 10 million to 10.5 million, with the greatest year-on-year growth of 26.9% in cumulative visitor arrivals among all market regions in the first half of 2010.

For the Period, the retail and wholesale division recorded a turnover of HK\$888.1 million, representing a growth of 32.8% (2009: HK\$669.0 million). The segmental profit of the division was up 64.8% to HK\$77.9 million (2009: HK\$47.3 million) during the Period. The healthy growth in turnover and profit was mainly driven by (i) the continuous increasing number of tourists from PRC, (ii) the remarkable growth in same store sales and (iii) the prudent expansion of our retail stores network.

Gross profit for the Period recorded a slight decrease from 35.0% to 34.1%. However, the figures are more desirable than those in the second half of 2009 which signified the success of our strategy during the Period in sustaining the gross profit margin and the strong sales of the higher margin Japanese milk powder. The retail gross profit margin is gradually increasing from the second half of last year since the Group has paid much effort in housing more exclusive products with higher margin to shift the sales mix further to higher end.

During the Period, we were able to keep close to our expansion plan and to launch stores in key shopping districts including Tsimshatsui and Mongkok. The number of retail outlets increased from 34 to 37 during the Period in which we over 20,000 products covering skin care products, perfume, cosmetics, healthcare, and personal hygiene items, including over 100 private labels and exclusively distributed labels. The rental contracts signed in the last financial year and leases for existing shops after renewal have also kept rents at a reasonable level. While growth of same store sales obtained an impressive record of over 15%, rent-to-turnover ratio for the retail and wholesale division maintains at a level of 9.5% in the first half of 2010 (2009: 10.0%). Furthermore, we continuously modify the layout of our stores to offer an engaging, easy-to-shop environment, creating a more convenient and inviting shopping experience for our customers and generate incremental traffic and sales.

Beauty Service Nurtured in the Blossoming Industry

Outstanding guest service and reliable execution are hallmarks of Bonjour's beauty services. Our guests' aspirations for a quality beauty and healthcare service experience are fulfilled in Bonjour's beauty service outlets. The beauty services division recorded a segmental profit of HK\$18.3 million during the Period (2009: HK\$28.4 million), with a turnover of HK\$112.4 million, representing a 7.4% increase compared to HK\$104.7 million in the same period last year. Bonjour now operates 12 "About Beauty" beauty parlors in Hong Kong and Macau, and 7 salons in providing auxiliary beauty services of foot massage, manicure, and cosmetic dermatology.

Being a player in the ever-demanding beauty industry, we have been observing the market closely, and waiting for the right time to expand our market share. Stepping into 2010, the Group sees the time is coming and reacts to increase the brand penetration of "About Beauty" by putting more resources on marketing and image-building that has affected the profitability. Efforts in promoting the superior service of our beauty salons and delivering our brand value to our customers had been never-ending. The advertising campaign we brought out during the Period has adopted "童顏術" (*literally: "child-face technology"*) as a unique tag slogan together with Ms. Elvina Kong (江欣燕小姐) as the spokesperson, and was well recognized in town. Nonetheless, the Group is dedicated to maintain the marketing cost for its beauty services division at a reasonable level.

Bonjour never call a halt to improve itself and has the all-time ambition to pay the uttermost effort in strengthening Bonjour's foothold. On 7 April 2010, the Group made a significant step in introducing Town Health International Holdings Company Limited ("Town Health", SEHK: 3886) as a strategic shareholder of the Company to cement Bonjour's development in its retail and wholesale business of beauty and health-care products, as well as its beauty salons in Hong Kong. Bonjour and Town Health will join hands to further enhance the services and technology provided in the beauty salons, the medical beauty service segment in particular, to raise the gross profit margin of the Group's beauty service division. The Group believes that Bonjour's retail and wholesale division and beauty service division will both benefit from Town Health's professional knowledge, support and possible client referral, particularly from its health salon business.

Prospects

Bonjour has always been striving to excel its business by offering the most sensible value-for-money beauty and body care products and services to the public with the most up-to-date innovations. Looking ahead, the Group is optimistic of the economic environment in 2010. We are committed to increase our local market share by opening new shops at a stable pace every year and to extend our retail network in PRC.

To maximize financial and strategic flexibility, we plan to continue to develop our retail store and beauty salon networks through an aggressive yet disciplined growth strategy. We expect to continue our expansion strategy of opening approximately 4–5 new retail stores and 2–3 beauty salons on a yearly basis. In the second half of 2010, we expect the number of retail stores increased to at least 40. The Group believes that our discreet investment in new and existing stores will continue to contribute significantly to our success over time. Further to the additional beauty salon opened in the first half of 2010, the Beauty's flagship salon in Mongkok was also renovated, offering an additional approximately 10,000 sq.ft. space, almost doubled of the original.

The Group's business is focus on Hong Kong. We are confident with our long-term growth prospects here and believe we have ample opportunities to continue to grow profitably for many years to come. Meanwhile, we also understand that the PRC market offers great potentials, and making our presence felt there is no doubt our long-term ambition. In July 2010, the Group has made the very first step in sharing the huge PRC market in opening our first shop in Guangzhou. The Group is confident that our experienced management will lead our business to a new high, and we are expecting the number of stores in PRC a growth to 10 in the first phase of the development.

Besides maintaining the pace of expansion, the Group is also committed to keep a strong balance sheet. We continue to expand our assortment of the products in our retail stores, bring in more exclusive products with high margins to shift the sales mix further to higher end. In addition, we will put more emphasis on developing our own products that could satisfy the need of both the Hong Kong market and the PRC market. Bonjour will continue to be attentive to the latest global trends in makeup, the demands of body care and the most appealing innovations amidst newly launched product lines. Our ultimate goal is to hold fast to our objective and to provide price leadership and value to our customers.

Bonjour believes that thriving exuberantly in retail business entails the nurturing of corporate core values. Our unique business model and dedication to the ethical treatment of all of our stakeholders – from shareholders to members to suppliers to employees – is an extension of our operating philosophy. We believe that our strong emphasis on fiscal responsibility, coupled with operating efficiencies and creative merchandising, are the fundamentals of Bonjour's success.

Financial Review

Liquidity and Financial Resources

As at 30 June 2010, the Group's cash and bank deposits amounted to HK\$221.6 million (31 December 2009: HK\$213.7 million). The Group's bank borrowings and finance lease payables as at 30 June 2010 were HK\$13.7 million (31 December 2009: HK\$23.5 million), out of which, HK\$11.6 million (31 December 2009: HK\$19.2 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2010 was 0.04 (31 December 2009: 0.09), and was calculated based on the Group's bank borrowings and finance lease payable, divided by total equity of HK\$325.2 million (31 December 2009: HK\$249.8 million). The current ratio of the Group as at 30 June 2010 was 1.90 (31 December 2009: 1.52).

The Group services its debt primarily through the cash earned from its operation and the Board believes that the Group has maintained sufficient working capital for its operation and future expansion.

Cash Flow

Net cash inflow from operations for the Period was HK\$64.5 million (2009: HK\$11.7 million). The profit before tax was HK\$101.9 million. The total amount of non-cash items amounting to HK\$16.3 million (mainly depreciation and share-based compensation expense) and was net off with a net decrease in working capital of HK\$71.7 million.

Net cash outflow from investing activities for the Period was HK\$20.3 million (2009: HK\$7.2 million), which mainly represented capital expenditure on purchase of fixed assets in the Period.

Net cash outflow from financing activities for the Period was HK\$36.3 million (2009: HK\$68.2 million), which mainly represented dividends paid, net-off with consideration received from issuance of new shares in the Period.

Contingent Liabilities

As at 30 June 2010, the Group had contingent liabilities totaling HK\$2.2 million (31 December 2009: HK\$2.2 million) which represented guarantee given by bank for rental payment to landlord.

Foreign Exchange Exposure

The Group has little exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As at 30 June 2010, 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

Increase of Authorised Share Capital

On 30 March 2010, the Directors recommended an increase of authorized share capital to HK\$100,000,000 (divided into 10,000,000,000 shares) and a Bonus Issue to the shareholders of the Company (except overseas shareholders of the Company). The recommendations were approved by the shareholders of the Company at the annual general meeting of the Company held on 20 May 2010. The bonus shares which rank pari passu in all respects with the ordinary shares of the Company were credited as fully paid by way of capitalisation of an amount of approximately HK\$12,237,000 in the share premium account of the Company.

Issue of Shares

On 7 April 2010, the Company issued and allotted 9,000,000 new shares to Town Health International Holdings Company Limited (an independent third party). The net proceed of the subscription amounted to approximately HK\$80,902,000 and was received in cash.

Exercise of Share Options

During the Period, the Company also issued and allotted 29,142,000 new shares at par value of HK\$0.01 each as a result of the exercise of share options to share option holders of the Company.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2010 was 1,491,210,000.

Charge on Group Assets

As at 30 June 2010, certain of the Group's assets with a net book value of approximately HK\$3.3 million (31 December 2009: HK\$3.3 million) were pledged to secure banking facilities granted to the Group.

Significant Investments

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

Material Acquisition or Disposal of Subsidiaries and Associated Companies

There was no material acquisition or disposal of subsidiaries and associated companies during the Period.

Human Resources

As at 30 June 2010, the Group had approximately 1,380 (2009: 1,030) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period under review were HK\$129.7 million (2009: HK\$118.3 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 HK4.5 cents (2009: HK20.0 cents) and a special dividend of HK1.2 cents (2009: Nil) per ordinary share of the Company for the Period to be payable to the shareholders of the Company whose names appear on the register of members of the Company on 15 September 2010 and such payable is expected on 28 September 2010.

Bonus Issue

The Board recommended a bonus issue to the shareholders of the Company (except certain overseas shareholders of the Company) on the basis of one bonus share (the "Bonus Share(s)") for every one existing ordinary share (the "Proposed Bonus Issue"). The Proposed Bonus Shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The Proposed Bonus Shares will rank pari passu in all respects with the ordinary shares of the Company.

The completion of Proposed Bonus Issue is conditional upon:

- (i) the approval of the Proposed Bonus Issue by the shareholders of the Company at an extraordinary general meeting;
- (ii) the Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Proposed 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 Proposed Bonus Issue.

The expected timetable for the Bonus Issue is set out below:

2010

Despatch of the circular and notice of the extraordinary general meeting	Wednesday, 1 September
Last day of dealings in the shares on a cum-entitlement basis	Friday, 10 September
First day of dealings in the shares on an ex-entitlement basis	Monday, 13 September
Latest time for lodging the option exercise form together with a remittance in cash for the amount of the exercise price for the respective shares in order to be qualified for the Bonus Issue.	4:00 p.m., Tuesday, 14 September
Latest time for lodging transfers of the shares for registration in order to qualify for the Bonus Issue	4:30 p.m., Tuesday, 14 September
Closure of register of members	Wednesday, 15 September to Friday, 17 September (both days inclusive)
Record date for determination of entitlement to the Bonus Shares	Wednesday, 15 September
Latest date and time to return form of proxy for the extraordinary general meeting	11:00 a.m., Wednesday, 15 September
Date and time of the extraordinary general meeting.	11:00 a.m., Friday, 17 September
Register of members re-opens	Monday, 20 September
Certificates for the Bonus Shares expected to be despatched	Tuesday, 28 September
Dealings in Bonus Shares commence	Thursday, 30 September

Note: All times refer to Hong Kong local time.

Dates or deadlines specified in this announcement are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the shareholders of the Company as and when appropriate.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 15 September 2010 to 17 September 2010, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividends, 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 14 September 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company did not repurchase its shares.

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 Code on Corporate Governance Practices (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 OFFICER

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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 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 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, 26 August 2010

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