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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 2010

RESULTS

The board of directors (the “Board” or “Directors”) of Bonjour Holdings Limited (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 2010 (the “Year”) with comparative figures for the previous years as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

| | Note | 2010 HK\$'000 | 2009 HK\$'000 (Restated) |
|--|------|-----------------------|--------------------------------|
| Turnover | 4 | 2,121,285 | 1,705,366 |
| Cost of goods sold | | <u>(1,222,300)</u> | <u>(1,009,115)</u> |
| Gross profit | | 898,985 | 696,251 |
| Other income | 5 | 12,968 | 13,445 |
| Distribution costs | | (59,595) | (44,750) |
| Administrative expenses | | (618,356) | (511,007) |
| Other operating expenses | | <u>(3,777)</u> | <u>–</u> |
| Profit from operations | | 230,225 | 153,939 |
| Finance costs | 6 | (1,488) | (683) |
| Share of profits of an associate | | <u>–</u> | <u>307</u> |
| Profit before tax | | 228,737 | 153,563 |
| Income tax expense | 7 | <u>(37,820)</u> | <u>(25,286)</u> |
| Profit for the year attributable to owners of the Company | 8 | <u>190,917</u> | <u>128,277</u> |
| Earnings per share | 10 | | |
| Basic | | <u>HK6.6 cents</u> | <u>HK4.7 cents</u> |
| Diluted | | <u>HK6.1 cents</u> | <u>HK4.5 cents</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|--|--------------------------------|---------------------------------------|
| Profit for the year | 190,917 | 128,277 |
| Other comprehensive income: | | |
| Exchange differences on translating foreign operations | <u>14</u> | <u>73</u> |
| Other comprehensive income for the year, net of tax | <u>14</u> | <u>73</u> |
| Total comprehensive income for the year attributable to owners of the Company | <u>190,931</u> | <u>128,350</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

| | | 31 December | | 1 January |
|---|------|----------------|----------------|----------------|
| | | 2010 | 2009 | 2009 |
| | Note | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | (Restated) | (Restated) |
| Non-current assets | | | | |
| Property, plant and equipment | | 68,126 | 52,460 | 40,699 |
| Investment in an associate | | – | – | 3,729 |
| Rental and utility deposits | | 63,192 | 42,301 | 29,884 |
| Held-to-maturity investments | | – | 3,405 | – |
| Deferred tax assets | | 1,850 | 3,020 | 3,930 |
| | | <u>133,168</u> | <u>101,186</u> | <u>78,242</u> |
| Current assets | | | | |
| Inventories | | 204,405 | 170,313 | 131,497 |
| Trade receivables | 11 | 45,271 | 25,781 | 19,489 |
| Rental and utility deposits | | 21,442 | 16,369 | 18,244 |
| Prepayments, deposits and other receivables | | 27,226 | 26,312 | 15,796 |
| Due from an associate | | – | – | 4,235 |
| Held-to-maturity investments | | 3,405 | – | – |
| Current tax assets | | 21,185 | 18,505 | 4,704 |
| Pledged bank deposit | | 1,394 | 1,389 | – |
| Bank and cash balances | | 255,871 | 212,335 | 158,581 |
| | | <u>580,199</u> | <u>471,004</u> | <u>352,546</u> |
| Current liabilities | | | | |
| Trade payables | 12 | 145,867 | 121,650 | 111,198 |
| Other payables, deposits received and accrued charges | | 79,867 | 63,207 | 47,066 |
| Deferred revenue | | 170,135 | 155,855 | 113,162 |
| Current portion of long-term bank borrowings | | 2,500 | 3,144 | 187 |
| Short-term bank borrowings | | 20,000 | 15,000 | – |
| Trade finance loans | | 55,129 | 40,394 | 24,712 |
| Bank overdrafts | | – | – | 10 |
| Finance lease payables | | 973 | 1,042 | 957 |
| Current tax liabilities | | 23,963 | 17,444 | 23,371 |
| | | <u>498,434</u> | <u>417,736</u> | <u>320,663</u> |
| Net current assets | | <u>81,765</u> | <u>53,268</u> | <u>31,883</u> |
| Total assets less current liabilities | | <u>214,933</u> | <u>154,454</u> | <u>110,125</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

| | 31 December | | 1 January |
|----------------------------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2009 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | (Restated) |
| Non-current liabilities | | | |
| Long-term bank borrowings | – | 2,500 | 144 |
| Finance lease payables | 673 | 1,766 | 2,122 |
| Long service payment liabilities | 1,851 | 1,444 | 786 |
| | <u>2,524</u> | <u>5,710</u> | <u>3,052</u> |
| NET ASSETS | <u>212,409</u> | <u>148,744</u> | <u>107,073</u> |
| Capital and reserves | | | |
| Share capital | 29,434 | 2,294 | 2,268 |
| Reserves | 182,975 | 146,450 | 104,805 |
| TOTAL EQUITY | <u>212,409</u> | <u>148,744</u> | <u>107,073</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 2010. 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, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

(a) Classification of Land Leases

Amendments to HKAS 17 “Leases” deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

| | 31 December | | 1 January |
|---|-------------|----------|-----------|
| | 2010 | 2009 | 2009 |
| | HK\$’000 | HK\$’000 | HK\$’000 |
| Increase in property, plant and equipment | 1,482 | 1,508 | 1,534 |
| Decrease in prepaid land lease payments | 1,482 | 1,508 | 1,534 |

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. RETROSPECTIVE RESTATEMENTS

There were retrospective restatements in the consolidated financial statements for the years ended 31 December 2007, 2008 and 2009. In the consolidated financial statements for the years ended 31 December 2007, 2008 and 2009, service income of beauty treatment services of approximately HK\$18,301,000, HK\$66,032,000 and HK\$39,776,000 recognised in each of the year ended 31 December 2007, 2008 and 2009 respectively that should be deferred as at 31 December 2009 and recognised as income in the consolidated financial statements in subsequent financial years. Accordingly, retrospective restatements have been made by restating the comparative information for those years.

The financial impact of the adjustments described above resulted in decrease in consolidated retained profits at 1 January 2009 by HK\$69,082,000 and on the results for the prior periods are as follows:

| | 31 December 2009 HK\$'000 | 1 January 2009 HK\$'000 |
|---|---------------------------------|---|
| Statement of financial position | | |
| Increase in current tax assets | 18,451 | 4,551 |
| Decrease in other payables, deposits received and accrued charges | 5,317 | 3,635 |
| Increase in deferred revenue | (124,109) | (84,333) |
| (Increase) decrease in current tax liabilities | (713) | 7,065 |
| Decrease in retained profits | 101,054 | 69,082 |
| | | Year ended 31 December 2009 HK\$'000 |
| Profit or loss | | |
| Decrease in revenue | | 39,776 |
| Decrease in administrative expenses | | (1,683) |
| Decrease in income tax expenses | | (6,121) |
| | | HK Cent |
| Earnings per share | | |
| Decrease in basic earnings per share | | 1.2 |
| Decrease in diluted earnings per share | | 1.1 |

The earnings per share have been adjusted for bonus shares issued during the Year.

4. 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"). Revenues recognised during the year are as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 (Restated) |
|---|------------------|--------------------------------|
| Sales of merchandise | 1,885,647 | 1,507,607 |
| Service income of beauty treatment services | 220,634 | 182,952 |
| Commission income | 15,004 | 14,807 |
| | <u>2,121,285</u> | <u>1,705,366</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 other income, gains from investments, interest income, rental income, finance costs and income tax expense. Segment assets do not include deferred tax assets, investment in an associate, current tax assets and property, plant and equipment and rental and utility deposits for corporate use. Segment liabilities do not include current tax liabilities, and bank borrowings and finance lease payables in respect of corporate use assets. Segment non-current assets do not include financial instruments and deferred tax assets.

The Group accounts for intersegment sales and transfers at cost.

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

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

| | Wholesaling and retailing of beauty and health-care products <i>HK\$'000</i> | Operation of beauty and health salons <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---|---------------------------------------|---------------------------------|
| Year ended 31 December 2010 | | | | |
| Revenue from external customers | 1,900,651 | 220,634 | – | 2,121,285 |
| Intersegment revenue | 1,423 | – | – | 1,423 |
| Segment profit | 187,054 | 30,203 | – | 217,257 |
| Interest revenue | – | – | 34 | 34 |
| Interest expense | – | – | 1,488 | 1,488 |
| Depreciation | 17,134 | 12,335 | – | 29,469 |
| Income tax expense | 34,058 | 3,762 | – | 37,820 |
| Other material non-cash items: | | | | |
| Share-based payments | 9,838 | 1,196 | – | 11,034 |
| Additions to segment non-current assets | 30,579 | 15,522 | – | 46,101 |
| As at 31 December 2010 | | | | |
| Segment assets | 595,960 | 183,484 | – | 779,444 |
| Segment liabilities | <u>292,137</u> | <u>284,283</u> | – | <u>576,420</u> |

| | Wholesaling and retailing of beauty and health-care products <i>HK\$'000</i> (Restated) | Operation of beauty and health salons <i>HK\$'000</i> (Restated) | Unallocated <i>HK\$'000</i> (Restated) | Total <i>HK\$'000</i> (Restated) |
|---|--|---|---|---|
| Year ended 31 December 2009 | | | | |
| Revenue from external customers | 1,522,414 | 182,952 | – | 1,705,366 |
| Intersegment revenue | 1,550 | – | – | 1,550 |
| Segment profit | 138,565 | 2,236 | – | 140,801 |
| Interest revenue | – | – | 86 | 86 |
| Interest expense | – | – | 683 | 683 |
| Depreciation | 10,595 | 11,601 | – | 22,196 |
| Share of profits of an associate | 307 | – | – | 307 |
| Income tax expense | 25,005 | 281 | – | 25,286 |
| Other material non-cash items: | | | | |
| Share-based payments | 8,611 | 1,287 | – | 9,898 |
| Additions to segment non-current assets | 24,120 | 9,992 | – | 34,112 |
| As at 31 December 2009 | | | | |
| Segment assets | 415,643 | 171,332 | – | 586,975 |
| Segment liabilities | <u>167,215</u> | <u>297,743</u> | <u>–</u> | <u>464,958</u> |

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

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|---|-------------------------|---------------------------------------|
| Revenue | | |
| Total revenue of reportable segments | 2,122,708 | 1,706,916 |
| Elimination of intersegment revenue | <u>(1,423)</u> | <u>(1,550)</u> |
| Consolidated revenue | <u>2,121,285</u> | <u>1,705,366</u> |
| Profit or loss | | |
| Total profit or loss of reportable segments | 217,257 | 140,801 |
| Unallocated amounts: | | |
| Other income | 12,968 | 13,445 |
| Finance costs | <u>(1,488)</u> | <u>(683)</u> |
| Consolidated profit before tax | <u>228,737</u> | <u>153,563</u> |
| Assets | | |
| Total assets of reportable segments | 779,444 | 586,975 |
| Elimination of intersegment assets | <u>(99,425)</u> | <u>(59,100)</u> |
| Unallocated amounts: | | |
| Property, plant and equipment and rental and utility deposits for corporate use | 10,313 | 22,790 |
| Deferred tax assets | 1,850 | 3,020 |
| Current tax assets | <u>21,185</u> | <u>18,505</u> |
| Consolidated total assets | <u>713,367</u> | <u>572,190</u> |
| Liabilities | | |
| Total liabilities of reportable segments | 576,420 | 464,958 |
| Elimination of intersegment liabilities | <u>(99,425)</u> | <u>(59,100)</u> |
| Unallocated amounts: | | |
| Current tax liabilities | 23,963 | 17,444 |
| Bank borrowings and finance lease payables in respect of corporate use assets | <u>–</u> | <u>144</u> |
| Consolidated total liabilities | <u>500,958</u> | <u>423,446</u> |

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

Geographical information:

| | Revenue | | Non-current assets | |
|--------------------------------|-------------------------|---------------------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
| Hong Kong | 1,972,908 | 1,595,885 | 64,972 | 50,750 |
| Macau | 141,831 | 108,492 | 1,593 | 1,610 |
| PRC except Hong Kong and Macau | <u>6,546</u> | <u>989</u> | <u>1,561</u> | <u>100</u> |
| Consolidated total | <u>2,121,285</u> | <u>1,705,366</u> | <u>68,126</u> | <u>52,460</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 2009 and 2010.

5. OTHER INCOME

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Bank interest income | 34 | 86 |
| Gain on disposal of an associate | – | 44 |
| Gain on disposals of property, plant and equipment | – | 288 |
| Net exchange gain | – | 469 |
| Other income | 4,015 | 3,159 |
| Rental income | 8,919 | 9,399 |
| | <u>12,968</u> | <u>13,445</u> |

6. FINANCE COSTS

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Interest expense on bank borrowings | 1,371 | 568 |
| Finance leases charges | 117 | 115 |
| | <u>1,488</u> | <u>683</u> |

7. INCOME TAX EXPENSE

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|---------------------------------------|-------------------------|---------------------------------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 34,183 | 22,588 |
| Under/(over)-provision in prior years | 31 | (2) |
| | <u>34,214</u> | <u>22,586</u> |
| Current tax – Overseas | | |
| Provision for the year | 2,471 | 1,817 |
| Over-provision in prior years | (35) | (27) |
| | <u>2,436</u> | <u>1,790</u> |
| Deferred tax | <u>1,170</u> | 910 |
| | <u>37,820</u> | <u>25,286</u> |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 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 (excluding share of profits of an associate) multiplied by the Hong Kong Profits Tax rate is as follows:

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|---|--------------------------------|---------------------------------------|
| Profit before tax (excluding share of profits of an associate) | <u>228,737</u> | <u>153,256</u> |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%) | 37,742 | 25,287 |
| Tax effect of income that is not taxable | (228) | (840) |
| Tax effect of expenses that are not deductible | 1,973 | 3,178 |
| Tax effect of utilisation of tax losses not previously recognised | (1,664) | (2,806) |
| Tax effect of unrecongised tax losses and temporary differences | 1,198 | 583 |
| Over-provision in prior years | (4) | (29) |
| Effect of different tax rates of subsidiaries | <u>(1,197)</u> | <u>(87)</u> |
| Income tax expense | <u>37,820</u> | <u>25,286</u> |

8. PROFIT FOR THE YEAR

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

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|--|--------------------------------|---------------------------------------|
| Auditors' remuneration | 1,099 | 1,037 |
| Cost of inventories sold (<i>Note</i>) | 1,222,300 | 1,009,115 |
| Allowance for/(write-back) of slow-moving inventories (<i>Note</i>) | 11 | (240) |
| Depreciation | 29,469 | 22,196 |
| Loss on disposal of property, plant and equipment | 7 | – |
| Written off of property, plant and equipment | 642 | – |
| Net exchange losses | 3,129 | – |
| Operating lease charge for land and buildings (included contingent rentals of HK\$1,001,000 (2009: Nil)) | 226,392 | 182,584 |
| Staff costs, including directors' emoluments | | |
| Wages and salaries | 266,298 | 226,011 |
| Share-based payments | 11,034 | 9,898 |
| Retirement benefits scheme contributions | 10,033 | 7,992 |
| Provision for unutilised annual leave | 1,252 | 1,396 |
| Provision for long service payment | 407 | 658 |
| | <u>289,024</u> | <u>245,955</u> |

Note: Cost of inventories sold includes allowance for slow-moving inventories of HK\$11,000 (2009: write-back of HK\$240,000) which is included in the amount disclosed separately above.

9. DIVIDENDS

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interim dividend paid of HK2.3 cents (adjusted) (2009: HK1.7 cents (adjusted)) per ordinary share | 66,322 | 45,790 |
| Special dividend paid of HK0.6 cents (adjusted) (2009: Nil) per ordinary share | 17,686 | – |
| Proposed final dividend of HK2.8 cents (2009: HK2.7 cents (adjusted)) per ordinary share | 82,417 | 74,592 |
| Proposed special dividend: Nil (2009: HK1.4 cents (adjusted)) per ordinary share | – | 40,165 |
| | <u>166,425</u> | <u>160,547</u> |

The dividends per share have been adjusted for the bonus shares issued during the Year.

10. EARNINGS PER SHARE

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

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> (Restated) |
|---|--------------------------------|---------------------------------------|
| Earnings | | |
| Earnings for the purpose of calculating basic and diluted earnings per share | <u>190,917</u> | <u>128,277</u> |
| | 2010 | 2009 |
| Number of shares | | |
| Issued ordinary shares at 1 January | 229,393,000 | 226,739,000 |
| Effect of consideration shares issued | 77,227,397 | – |
| Effect of new shares issued upon exercise of share options | 75,530,039 | 1,821,239 |
| Effect of repurchase of shares | (16,615,211) | (2,291,740) |
| Effect of Bonus Issues on shares outstanding at 1 January 2010 (2009: weighted average for the year) | <u>2,523,323,000</u> | <u>2,488,953,500</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 2,888,858,225 | 2,715,221,999 |
| Effect of dilutive potential ordinary shares arising from share options outstanding | <u>230,149,279</u> | <u>147,656,088</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>3,119,007,504</u> | <u>2,862,878,087</u> |

11. 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 (2009: 120 days) from the date of billings. The ageing analysis of trade receivables is as follows:

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Wholesales debtors | | |
| 0-30 days | 7,405 | 1,806 |
| 31-60 days | 5,695 | 1,915 |
| 61-90 days | 3,320 | 29 |
| 91-120 days | 413 | 25 |
| Over 120 days | 581 | 39 |
| | <hr/> 17,414 | <hr/> 3,814 |
| Trade receivables under credit card sales | | |
| 0-30 days | 20,475 | 12,721 |
| 31-60 days | 2,096 | 5,539 |
| 61-90 days | 1,806 | 3,657 |
| 91-120 days | 1,664 | 50 |
| Over 120 days | 1,816 | – |
| | <hr/> 27,857 | <hr/> 21,967 |
| Total | <hr/> 45,271 | <hr/> 25,781 |

12. TRADE PAYABLES

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

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0 – 30 days | 76,705 | 72,679 |
| 31 – 60 days | 48,346 | 35,753 |
| 61 – 90 days | 14,230 | 10,451 |
| 91 – 120 days | 5,343 | 2,712 |
| Over 120 days | 1,243 | 55 |
| | <hr/> 145,867 | <hr/> 121,650 |

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has delivered a satisfactory performance for this financial year with the support from the revitalizing retail market and Hong Kong tourism industry. During the Year, Bonjour has managed to maintain steady growth in its overall business, with turnover reaching HK\$2,121.3 million (2009: HK\$1,705.4 million (restated)), an improvement of 24.4% over the previous year. The growth in turnover was a solid proof of our success in further developing the Hong Kong market and tapping into the retail market in China. Profit from operations increased by 49.6% to HK\$230.2 million (2009: HK\$153.9 million (restated)), whereas profit attributable to owners of the Company increased by 48.8% to HK\$190.9 million (2009: HK\$128.3 million (restated)) and consolidated gross profit margin rose from 40.8% in 2009 to 42.4% during the Year. Basic earnings per share was HK6.6 cents (2009: HK4.7 cents (restated)), representing an increase of 40.4% from last year.

This set of strong and healthy financial results was not only derived from the soaring number of tourists from the PRC, but also from our prudent cost control and expansion strategy, together with our unwavering commitment to continually provide our customers with quality goods and services at the lowest possible prices which drives our competitive advantage.

BUSINESS REVIEW

Foothold Further Extended in the Retail and Wholesale Services Market

Going into the 19th year of operation in 2010, Bonjour's inceptive objective never changed, that is, to provide our customers with the most sensible value-for-money quality goods and services with the most up-to-date innovations. Today, our established brand name "Bonjour" is a proof to our long-developed wise merchandising strategy which has gained a vote of confidence from our customers. For the meantime, in Hong Kong, we see light of a rejuvenating tourism industry ever since the financial crisis in 2008. According to the official figures released by the Hong Kong Tourism Board, in 2010, the total number of visitors to Hong Kong surpassed 36 million, a 21.8% increase compared to 2009; PRC visitor arrivals to Hong Kong accounted for 63% of the total, reflecting the huge consumer population of PRC visitors amongst all.

During the Year, the retail and wholesale division recorded a turnover of HK\$1,900.7 million (2009: HK\$1,522.4 million), representing a growth of 24.8%. The segmental profit of the division was up 35.0% to HK\$187.1 million (2009: HK\$138.6 million (restated)). The sustainable growth in turnover and profit was mainly driven by the continuous increasing number of tourists from the PRC, remarkable growth in same store sales and the prudent expansion of our retail stores network. Thanks also to the encouraging development in our first entrance to the China market, the Group's first Guangzhou retail shop has become another growth momentum for our retail division on top of our existing retail network in Hong Kong.

Gross profit for the Year recorded a slight increase from HK\$522.6 million in 2009 to HK\$687.6 million in 2010. The change in the segmental gross profit was due to the stretching out of the retail and wholesale division which has a relatively lower margin during the first half of 2010, accounting for over 89% of the total turnover. Nonetheless, the consolidated gross profit margin has been improved in comparison with that in 2009 since the retail and

wholesale gross profit margin has increased from 34.3% in 2009 to 36.2% in 2010. The increase in the segmental gross profit margin was mainly attributable to our well-thought merchandizing strategy and the efforts made in housing more exclusive products with higher margin to shift the sales mix further to higher end. Besides, the retail net margin has also recorded a double-digit (percentage) increase.

Retail Network in Hong Kong and China

During the Year, we have launched a number of retail stores in key shopping districts including Tsimshatsui and Mongkok, keeping close to our target to open approximately 4 to 5 retail outlets every year. Bonjour is currently operating 41 retail shops (2009: 34 shops) in Hong Kong, Macau and Guangzhou, offering over 20,000 products covering skin care products, perfume, cosmetics, healthcare, and personal hygiene items, including over 100 private labels and exclusively distributed labels. Our growing retail network, which contributes sustainable growth to the Group every year, is a solid proof of our determination to further establish foothold in the retail market.

On the other hand, in July 2010, the first Guangzhou Bonjour retail shop was launched. Under the tremendous efforts made in the past months, the first Guangzhou shop is currently maintaining at a highly satisfactory development pace. Although the Guangzhou shop has lower per-shop turnover comparing to shops in Hong Kong, it has a higher gross margin.

Rents

In the last financial year, we had signed a number of rental contracts and renewed leases for existing shops, keeping our overall rental expenditure at a reasonable level this year. During the Year, our same store sales has obtained an impressive growth of 10.2%, whereas rent-to-turnover ratio for the retail and wholesale division maintains at a healthy level of 9.9% (2009: 9.6%) under the tough operational environment with ever increasing rental expenditure. The growth in same store sales contributed a large part to our revenue growth in 2010 and we shall keep up the positive momentum in the years to come. On top on the above, we have also remodeled some of our existing stores throughout the Year, aiming to offer a more spacious, engaging and easy-to-shop environment for our customers, as well as to deliver better inventory allocation and ensure increased operational efficiencies.

Since the number of tourists from the PRC continues to increase over the years, our Hong Kong residents versus tourists from China customer ratio is also changing, in which revenue generated from customers who are tourists from the PRC is eventually rising over 30% out of the total. We believe that the number of customers who are tourists from China will continue to increase, and rental rates in hot shopping spots will rise further in the coming years.

Online Store

Bonjour's online shopping service (website: www.bonjourhk.com) was launched in 2005 and has been running smoothly. Till 31 December 2010, our online store has been recording a steady monthly income, in which the sales of cosmetics and skincare products took up approximately half of it. Considering the worldwide trend of online purchasing, we will further develop our online shopping service by tapping into the international market in the near future while keeping up the service we have at present.

Marketing Efforts

During the Year, the Group has spent no more than 1% of its total retail and wholesale turnover in marketing, which has slightly increased as part of it was spent on our annual promotional event, the “Super Day”. This year, the Super Day was held in October 2010 for six days. Same as last year, the Super Day this year attracted a massive flow of customers to our retail stores, fully reflecting the success of our revolutionary marketing approaches. In addition, more marketing budget had been placed on promoting our private label products as it was part of our development strategy to expand the sales volume of such products in our local retail network. Besides, part of the marketing budget had been spent on promoting our first Guangzhou shop, which has initially proven successful. Overall, we believe in the value of marketing and branding in delivering brand value and driving traffic, which had led to the Group’s increasing effort in marketing and brand promotion over the years.

Collaboration

In September 2010, Bonjour has formed an alliance with Ctrip.com International Ltd (“cTrip”), joining hand in hand for the first time to promote the “cTrip-Bonjour VIP Card”, providing visitors from both China and Hong Kong with inexhaustible offers in shopping and food and beverage, with an aim to promote consumption and tourism in both places. To complement our expansion to China market, we anticipate that this strategic collaboration will help reinforce Bonjour’s brand image and raise the popularity of Bonjour in China.

Beauty Service Blooming in the Maturing Industry

Bonjour’s beauty service division provides a full range of high quality and the most up-to-date beauty services and skin care products. Since 2000, the Group is dedicated to providing an array of outstanding guest services. Under 10 years of hard work, our persistent effort in offering a set of highly reliable beauty services to our customers has become the hallmark of Bonjour Beauty. For the year ended 31 December 2010, the beauty services division recorded a segmental profit of HK\$30.2 million with a turnover of HK\$220.6 million. Results showed that the performance of the division had slightly improved in the second half of the year, reflecting Bonjour’s constant effort made in proving itself to perfection. The continued healthy development of the beauty service division demonstrates that we have made a good stride in bettering and differentiating ourselves in the market, and that customers remained highly confident in our quality service.

Beauty Services Network

As at 31 December 2010, Bonjour operates 12 “About Beauty” beauty parlors in Hong Kong and Macau and 7 salons in providing auxiliary beauty services including foot massage, manicure, and cosmetic dermatology services. Since the beauty service business depends largely on the per-outlet organic growth and the economies of scale of the whole operation due to its high-margin business nature compared with the retail business, we expect that the return generated by the salons will outweigh the high setup costs in the future.

Marketing Efforts

Being a player of the maturing beauty industry with huge competition, efforts in promoting the superior service of our beauty salons and delivering our brand value to our customers has been never-ending. Under the vigorous competition in the local market, more resources had been laid on marketing in order to increase the brand penetration of “About beauty”, the signature brand of our beauty services. In 2010, approximately 2% of the Group’s total turnover was spent on marketing and image-building for About Beauty, in which the marketing cost in the second half of the year was slightly lower than that in the first half. During the Year, we have enlisted a few celebrities in town as spokespersons, such as Ms. Elvina Kong (江欣燕小姐), to deliver our brand value and new services to our customers. The most recognized advertising campaign we brought out during the Year was the one which adopted “童顏術” (literally: “child-face technology”) as a unique tag slogan. Even though competition in the beauty industry has been tough, the Group will continue to maintain the marketing cost for its beauty services division at a reasonable level in a strict manner.

Collaboration

In order to strengthen our competitive edge and consolidate our foothold in the beauty service industry, we are determined to further enhance the services and technology provided in the beauty salons, particularly in the medical beauty service segment, to raise the gross profit margin of the Group’s beauty service division. Hence, on 7 April 2010, the Group has introduced Town Health International Investments Limited (“Town Health”, SEHK: 3886) as a strategic shareholder to bolster Bonjour’s development in its retail and wholesale business of beauty and health-care products, as well as its beauty salons in Hong Kong. The introduction of Town Health as a strategic partner has proven Bonjour’s all-time ambition in paying the uttermost effort to improve itself along the flood of advanced beauty technology in the industry.

PROSPECTS

Stepping in to a new financial year, the Group is optimistic in view of the economic environment, especially in the retail segment considering the revitalizing consumption sentiments. Yet, we shall be prudent in expanding our retail and beauty service networks as the rising rents will continue to be the most challenging factor in the years to come, whilst the macroeconomic regulation and control in China will also exert a certain pressure to our operations in both Hong Kong and China. Hence, the Group will maintain a steady development speed in Hong Kong and take extra caution in our second step in developing the China market.

In previous years, we have strategically planned to develop our retail store and beauty salon networks through an aggressive yet disciplined growth strategy, that is, to open approximately 4 to 5 new retail stores and 2 to 3 beauty salons on a yearly basis in order to maximize Bonjour’s financial and strategic flexibility, as well as 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. Looking ahead, the Group will stick close to our expansion plan and we believe that our discreet investment in new and existing stores will continue to contribute significantly to our success over time.

As China continues to have rising importance in the world economy, we are confident about the strong potential of the enormous retail industry in China, where the huge latent consumer market has just started to develop and competition is still relatively low. In view of the huge potential of the China market, the Group will accelerate its development speed in China and will bring focus to the Pearl River Delta so as to increase operational efficiency and reduce overheads for better cost control. In the new financial year, we target to open approximately 8 to 9 retail stores in Guangzhou in the first phase of development, but will remain prudent in opening new stores in China as policies in retail business and products dealership in the Mainland is far more complicated compared to that in Hong Kong. We believe in that in the long run, the Group's business in China will pick up in an amazing speed, bringing Bonjour an extraordinarily powerful revenue drive in the future.

As far as the development of Bonjour's beauty service division is concerned, we will focus on developing the ones opened in Hong Kong this year, such as About Beauty's flagship salon in Mongkok which was renovated in the first half of the year with an additional 10,000 sq.ft. space. Efforts will be made in: 1) ensuring the service quality and operational stability in all the newly established beauty outlets; and 2) further enhancing our medical beauty services in response to the rising demand from the current market. As mentioned above, the Group has strong confidence in the potential of the China market. Therefore, in the coming years, besides opening retail stores in Guangzhou, the Group will seek to extend its beauty service network to the China market. Our first beauty salon in China is to be set up in Guangzhou in March 2011, scheduled to be launched in the second or third quarter in 2011.

Developing the China market is no doubt the centre of attention of the Group for the time being and in the future, but maintaining a strong balance sheet is no less important at the same time. We always stress the significance of expanding our assortment of the products in our retail stores, taking in more exclusive products with high margins to shift the sales mix further to higher end, as well as developing our own products that could satisfy the need of both the Hong Kong market and the PRC market. In China, we will also strive to expand the number, genre and source of products on top of the currently available ones which are mainly national products of China. In order to hold fast to our objective and provide price leadership and value to our customers in both Hong Kong and China, we will continue to attend to the latest beauty trends worldwide and the most appealing beauty technologies.

As Bonjour celebrates its 20th anniversary in 2011, we believe that our pursuit for beauty goes on and on no matter how time changes. 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

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 2010, the Group's cash and bank deposits amounted to HK\$257.3 million (2009: HK\$213.7 million). The

Group's bank borrowings and finance lease payables as at 31 December 2010 were HK\$24.1 million (2009: HK\$23.5 million), out of which HK\$23.5 million (2009: HK\$19.2 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\$233.2 million as at 31 December 2010 (2009: HK\$190.2 million).

As at 31 December 2010, the Group's gearing ratio was 0.11 (2009: 0.16), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK\$212.4 million (2009: HK\$148.7 million (restated)). Total liabilities to Shareholders' funds improved to 235.9% as compared to 284.7% in last year. The current ratio of the Group was 1.16 in 2010 (2009: 1.13).

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\$63.3 million from HK\$148.8 million in 2009 to HK\$212.1 million in 2010. The profit before tax was HK\$228.7 million. The total amount of non-cash items amounting to HK\$41.6 million (mainly depreciation and share-based payments expense) was net off with a net decrease in working capital of HK\$25.3 million.

Net cash outflow from investing activities increased by HK\$12.4 million from HK\$33.4 million in 2009 to HK\$45.8 million in 2010. The increase was largely due to an increase in purchase of property, plant and equipment.

Net cash outflow from financing activities was HK\$122.9 million in 2010 (2009: HK\$61.7 million). The cash outflow for this year mainly represented dividends paid, net-off with consideration received from issuance of new shares.

Contingent Liabilities

| | 2010 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Guarantees given by banks for rental payment to landlords | 2,176 | 2,176 |
| Guarantees given by banks for vendors | 150 | – |
| | 2,326 | 2,176 |

Foreign Exchange and Bank Borrowing Interest Rate Exposures

The Group has minimum exposure to foreign exchange fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As at 31 December 2010, none of the Group's bank borrowing 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 and Bonus Issues of Shares

On 30 March 2010, the Directors recommended an increase of authorised share capital to HK\$100,000,000 (divided into 10,000,000,000 shares) and a bonus issue to the Shareholders (except overseas Shareholders). The recommendations were approved by the Shareholders 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.

On 26 August 2010, the Directors recommended a bonus issue to the Shareholders (except overseas Shareholders). The recommendations were approved by the Shareholders at the extraordinary general meeting of the Company held on 17 September 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\$14,738,000 in the share premium account of the Company.

Issue of Shares

On 15 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 Year, the Company also issued and allotted 29,742,000 new shares at par value of HK\$0.01 each as a result of the exercise of share options to share option holders of the Company.

Repurchase of Shares

During the Year, 22,186,000 fully paid ordinary shares were repurchased and all the 22,186,000 repurchased ordinary shares of the Company were cancelled during the Year.

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2010 was 2,943,448,000 shares.

Charges on Group Assets

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

Significant Investments

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

Material Acquisitions or Disposals of Subsidiaries and Associated Companies

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

Human Resources

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. During the Year, the Group provided a series of training courses to enhance the customer service skills of all our frontline staff by inviting professional consultants as lecturers to enrich the scope of this program.

The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individual's performance. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.

As at 31 December 2010, the Group had approximately 1,460 (2009: 1,210) full-time and part-time employees in both Hong Kong, Macau and the PRC. The senior management team consisted of 19 people, in which about half of them had been with the Group for over 5 years. For the Year, the total staff cost including directors' emoluments amounted to approximately HK\$289.0 million.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company repurchased a total of 22,186,000 fully-paid ordinary shares of the Company at an aggregate consideration of approximately HK\$42 million on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share | | Aggregate purchase price (HK\$) |
|---------------------|--|-----------------------------|------------------|---|
| | | Highest (HK\$) | Lowest (HK\$) | |
| July 2010 | 17,386,000 | 2.15 | 2.00 | 35,807,740 |
| October 2010 | 4,800,000 | 1.29 | 1.28 | 6,187,500 |
| Total | 22,186,000 | | | 41,995,240 |

All of the 22,186,000 repurchased ordinary shares of the Company were cancelled during the Year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from Shareholders, with a view to benefit the Shareholders as a whole in enhancing the net assets and earnings per share of the Company.

On 17 September 2010, the Shareholders granted a general and unconditional mandate to the Directors on an extraordinary general meeting of the Company to exercise all powers of the Company to repurchase up to 10% of the aggregate nominal amount of the issued share capital of the Company as at 17 September 2010.

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

DIVIDENDS

The Board recommended payment of a final dividend of HK2.8 cents (2009: HK2.7 cents (adjusted)) per ordinary share for the Year. Together with interim and special dividend of HK2.9 cents (adjusted) (2009: HK1.7 cents (adjusted)) per ordinary share was paid, the total dividend for the Year amounted to HK5.7 cents (2009: HK5.8 cents (adjusted)) per ordinary share.

The Board did not recommend the payment of any final special dividend (2009: HK1.4 cents (adjusted)) for the Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 May 2011 to 18 May 2011, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the final dividend for the Year and to attend the 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 12 May 2011.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the year ended 31 December 2010, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from code provision A.2.1.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the Year, Dr. Ip Chun Heng, Wilson is both the chairman and chief executive officer of the Company.

The Board considered that Dr. Ip has in-depth knowledge and experience in the retail sales and cosmetic product market and is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the “Code”). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the Year under review.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference. At present, members of the Audit Committee comprise Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong, being the three independent non-executive Directors. Mr. Wong Chi Wai is the chairman of the Audit Committee. The Audit Committee has reviewed the effectiveness of both the external audit and internal control and risk evaluation. The audited financial statements of the Company and its subsidiaries for the Year have been reviewed by the Audit Committee.

APPRECIATION

Finally, on behalf of the Directors, I would like to express my gratitude to our management and staff for their hard work and dedication throughout the Year.

By Order of the Board
Bonjour Holdings Limited
Ip Chun Heng, Wilson
Chairman

Hong Kong, 29 March 2011

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