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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 2011

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 2011 (the “Year”) with comparative figures for the previous years as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Turnover	3	2,561,247	2,121,285
Cost of goods sold		<u>(1,390,206)</u>	<u>(1,222,300)</u>
Gross profit		1,171,041	898,985
Other income	4	32,032	12,968
Distribution costs		(81,948)	(59,595)
Administrative expenses		(829,863)	(618,356)
Other operating expenses		<u>(3,082)</u>	<u>(3,777)</u>
Profit from operations		288,180	230,225
Finance costs	5	<u>(1,235)</u>	<u>(1,488)</u>
Profit before tax		286,945	228,737
Income tax expense	6	<u>(50,357)</u>	<u>(37,820)</u>
Profit for the year attributable to owners of the Company	7	<u>236,588</u>	<u>190,917</u>
Earnings per share	9		
Basic		<u>HK8.0 cents</u>	<u>HK6.6 cents</u>
Diluted		<u>HK7.5 cents</u>	<u>HK6.1 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	<u>236,588</u>	<u>190,917</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>89</u>	<u>14</u>
Other comprehensive income for the year, net of tax	<u>89</u>	<u>14</u>
Total comprehensive income for the year attributable to owners of the Company	<u>236,677</u>	<u>190,931</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment		78,421	68,126
Goodwill		3,531	–
Rental and utility deposits		76,440	63,192
Prepayments		6,541	–
Deferred tax assets		1,850	1,850
		<u>166,783</u>	<u>133,168</u>
Current assets			
Inventories		217,184	204,405
Trade receivables	10	58,003	45,271
Rental and utility deposits		30,077	21,442
Prepayments, deposits and other receivables		48,903	27,226
Held-to-maturity investments		–	3,405
Current tax assets		13,422	21,185
Pledged bank deposit		1,403	1,394
Bank and cash balances		292,779	255,871
		<u>661,771</u>	<u>580,199</u>
Current liabilities			
Trade payables	11	158,144	145,867
Other payables, deposits received and accrued charges		96,821	79,867
Deferred revenue		208,824	170,135
Current portion of long-term bank borrowings		–	2,500
Short-term bank borrowings		–	20,000
Trade finance loans		34,950	55,129
Finance lease payables		471	973
Current tax liabilities		33,095	23,963
		<u>532,305</u>	<u>498,434</u>
Net current assets		<u>129,466</u>	<u>81,765</u>
Total assets less current liabilities		<u>296,249</u>	<u>214,933</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current liabilities		
Deposits received	2,100	–
Finance lease payables	202	673
Long service payment liabilities	5,282	1,851
	<u>7,584</u>	<u>2,524</u>
NET ASSETS	<u>288,665</u>	<u>212,409</u>
Capital and reserves		
Share capital	30,077	29,434
Reserves	258,588	182,975
TOTAL EQUITY	<u>288,665</u>	<u>212,409</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 2011. 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 year 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. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group is principally engaged in the retail and wholesale of beauty and health-care products and operation of beauty and health salons in Hong Kong, Macau and the People’s Republic of China (“PRC”). Revenues recognised during the year are as follows:

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Sales of merchandise	2,263,645	1,885,647
Service income of beauty treatment services	280,642	220,634
Commission income	16,960	15,004
	<u>2,561,247</u>	<u>2,121,285</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, 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 2011				
Revenue from external customers	2,280,605	280,642	–	2,561,247
Intersegment revenue	1,221	–	–	1,221
Segment profit	201,692	54,456	–	256,148
Interest revenue	–	–	380	380
Interest expense	–	–	1,235	1,235
Depreciation	25,351	14,416	–	39,767
Other material non-cash items:				
Share-based payments	20,170	1,518	–	21,688
Additions to segment non-current assets	43,213	19,101	–	62,314
As at 31 December 2011				
Segment assets	696,848	289,802	–	986,650
Segment liabilities	<u>336,809</u>	<u>354,868</u>	<u>–</u>	<u>691,677</u>

	Wholesaling and retailing of beauty and health-care products <i>HK\$'000</i>	Operation of beauty and health salons <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
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>–</u>	<u>576,420</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	2,562,468	2,122,708
Elimination of intersegment revenue	(1,221)	(1,423)
Consolidated revenue	<u>2,561,247</u>	<u>2,121,285</u>
Profit or loss		
Total profit or loss of reportable segments	256,148	217,257
Unallocated amounts:		
Other income	32,032	12,968
Finance costs	(1,235)	(1,488)
Consolidated profit before tax	<u>286,945</u>	<u>228,737</u>
Assets		
Total assets of reportable segments	986,650	779,444
Elimination of intersegment assets	(184,883)	(99,425)
Unallocated amounts:		
Property, plant and equipment and rental and utility deposits for corporate use	11,515	10,313
Deferred tax assets	1,850	1,850
Current tax assets	13,422	21,185
Consolidated total assets	<u>828,554</u>	<u>713,367</u>
Liabilities		
Total liabilities of reportable segments	691,677	576,420
Elimination of intersegment liabilities	(184,883)	(99,425)
Unallocated amounts:		
Current tax liabilities	33,095	23,963
Consolidated total liabilities	<u>539,889</u>	<u>500,958</u>

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

Geographical information:

	Revenue		Non-current assets	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong	2,350,076	1,972,908	80,689	64,972
Macau	173,727	141,831	1,161	1,593
PRC except Hong Kong and Macau	37,444	6,546	6,643	1,561
Consolidated total	<u>2,561,247</u>	<u>2,121,285</u>	<u>88,493</u>	<u>68,126</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 2010 and 2011.

4. OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank interest income	380	34
Compensation income	14,832	–
Other income	5,930	4,015
Rental income	10,890	8,919
	<u>32,032</u>	<u>12,968</u>

5. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest expense on bank borrowings	1,131	1,371
Finance leases charges	104	117
	<u>1,235</u>	<u>1,488</u>

6. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	45,965	34,183
Under-provision in prior years	1,192	31
	<u>47,157</u>	<u>34,214</u>
Current tax – Overseas		
Provision for the year	2,816	2,471
Under/(over)-provision in prior years	384	(35)
	<u>3,200</u>	<u>2,436</u>
Deferred tax	<u>–</u>	<u>1,170</u>
	<u>50,357</u>	<u>37,820</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

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

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before tax	<u>286,945</u>	<u>228,737</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	47,346	37,742
Tax effect of income that is not taxable	(409)	(228)
Tax effect of expenses that are not deductible	3,817	1,973
Tax effect of utilisation of tax losses not previously recognised	(1,359)	(1,664)
Tax effect of unrecongised tax losses and temporary differences	676	1,198
Under/(over)-provision in prior years	1,576	(4)
Effect of different tax rates of subsidiaries	(1,290)	(1,197)
Income tax expense	<u>50,357</u>	<u>37,820</u>

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Auditors' remuneration		
Provision for the year	1,320	1,099
Under-provision in prior year	330	–
	1,650	1,099
Cost of inventories sold (<i>Note</i>)	1,390,206	1,222,300
Allowance for slow-moving inventories (<i>Note</i>)	2	11
Depreciation	39,767	29,469
Loss on disposal of property, plant and equipment	468	7
Written off of property, plant and equipment	1,807	642
Net exchange losses	790	3,129
Operating lease charge for land and buildings (included contingent rentals of HK\$2,827,000 (2010: HK\$1,001,000))	329,076	226,392
Staff costs, including directors' emoluments		
Wages and salaries	328,994	266,298
Share-based payments	21,688	11,034
Retirement benefits scheme contributions	11,744	10,033
Provision for unutilised annual leave	3,606	1,252
Provision for long service payment	3,431	407
	369,463	289,024

Note: Cost of inventories sold includes allowance for slow-moving inventories of HK\$2,000 (2010: HK\$11,000) which is included in the amount disclosed separately above.

8. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim dividend paid of HK3.60 cents (2010: HK2.30 cents) per ordinary share	105,918	66,322
Special dividend paid of Nil (2010: HK0.60 cent) per ordinary share	–	17,686
Proposed final dividend of HK2.88 cents (2010: HK2.80 cents) per ordinary share	86,725	82,417
Proposed special dividend of HK0.32 cent (2010: Nil) per ordinary share	9,636	–
	202,279	166,425

9. EARNINGS PER SHARE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>236,588</u>	<u>190,917</u>
	2011	2010
Number of shares		
Issued ordinary shares at 1 January	2,943,448,000	229,393,000
Effect of consideration shares issued	–	77,227,397
Effect of new shares issued upon exercise of share options	15,902,466	75,530,039
Effect of repurchase of shares	(3,629,090)	(16,615,211)
Effect of Bonus Issues on shares outstanding at 1 January 2010	–	<u>2,523,323,000</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,955,721,376	2,888,858,225
Effect of dilutive potential ordinary shares arising from share options outstanding	<u>197,065,080</u>	<u>230,149,279</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>3,152,786,456</u>	<u>3,119,007,504</u>

10. TRADE RECEIVABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Wholesales debtors		
0–30 days	6,276	7,405
31–60 days	2,889	5,695
61–90 days	952	3,320
91–120 days	708	413
Over 120 days	1,341	581
	<u>12,166</u>	<u>17,414</u>
Trade receivables under credit card sales		
0–30 days	37,489	20,475
31–60 days	3,339	2,096
61–90 days	1,693	1,806
91–120 days	1,247	1,664
Over 120 days	2,069	1,816
	<u>45,837</u>	<u>27,857</u>
Total	<u>58,003</u>	<u>45,271</u>

11. TRADE PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0–30 days	86,213	76,705
31–60 days	52,843	48,346
61–90 days	14,394	14,230
91–120 days	2,756	5,343
Over 120 days	1,938	1,243
	<u>158,144</u>	<u>145,867</u>

MANAGEMENT DISCUSSION AND ANALYSIS

With the challenges of the global financial crisis, inflation and rising operating costs in Hong Kong and China, the Group has delivered satisfactory performance for this financial year due to the strong consumption power of tourists mainly from the People's Republic of China ("PRC") and prudent operational strategy. During the Year, Bonjour has managed to maintain steady growth in its overall business, with turnover reaching HK\$2,561.2 million (2010: HK\$2,121.3 million), an increase of 20.7% over the previous year. The growth in turnover was a strong proof of our success in maintaining the development of both the Hong Kong and China retail markets. Profit from operations increased by 25.2% to HK\$288.2 million (2010: HK\$230.2 million), profit attributable to owners of the Company increased by 23.9% to HK\$236.6 million (2010: HK\$190.9 million), and consolidated gross profit margin rose from 42.4% in 2010 to 45.7% in 2011. Basic earnings per share was HK8.0 cents (2010: HK6.6 cents), representing an increase of 21.2% from last year.

Despite the economic impact brought about by domestic inflation and the Japan earthquake in 2011, the Group still achieved the financial results with flying colours. We are adhering closely to our commitment to continually provide our customers with quality goods and services at good value.

BUSINESS REVIEW

Branding Enhancement by Focusing on Retail and Wholesale Services

It is already the 20th year of our operation in 2011 and we have been through many ups and downs. However, Bonjour's vital 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. Nowadays, our recognized brand name "Bonjour" is a good piece of evidence of our long-developed and wise marketing strategy, which has gained confidence from our customers. According to official figures released by the Hong Kong Tourism Board, the total number of visitors to Hong Kong in 2011 surpassed 41 million, a 16.4% increase compared with 2010. PRC visitor arrivals to Hong Kong accounted for over 28 million (68%) of the total, reflecting the huge consumer population of the PRC. Thus, we were still able to earn a reasonable profit during the Year despite the global financial crisis.

During the Year, the retail and wholesale division recorded a turnover of HK\$2,280.6 million (2010: HK\$1,900.7 million), indicating a growth of 20.0%. It accounted for over 89.0% of total turnover. The segmental profit of the division was up 7.8% to HK\$201.7 million (2010: HK\$187.1 million). The sustainable growth in turnover and profit was mainly driven by the increasing number of tourists from the PRC, the Group's sound product portfolio and the prudent expansion of our retail stores network.

Gross profit for the Year recorded an increase from HK\$687.6 million in 2010 to HK\$903.0 million in 2011. Nonetheless, the consolidated gross profit margin has improved in comparison from 2010, since the retail and wholesale gross profit margin rose from 36.2% in 2010 to 39.6% in 2011. The increase in the segmental gross profit margin was mainly attributable to an improving product mix, with the introduction of more exclusive products with higher margins and the sharp decrease of low-margin Japanese milk powder sale.

Retail Network in Hong Kong and China

In the financial year, 7 more retail stores were launched in Hong Kong and China. We are proudly running 48 retail shops (2010: 41 shops) in Hong Kong, Macau and China presently. This shows the success of our management in expanding the Group's business. At the same time, we have been allocating more resources in manpower training as part of efforts to expand our retail network and further establish a foothold in the retail market. Therefore, the Group can enjoy sustainable growth every year.

With the launch of our retail stores expanding strategy, retail earnings have increased steadily. This is not only due to the climbing number of transactions recorded from both Hong Kong and Chinese customers, but the transaction ticket size has also risen. Benefiting from the thriving economy in China, living standards and spending habits have definitely changed as the earnings from Chinese customers increased significantly over the years. We anticipate that turnover will continue to grow in the next few years.

Rents

Bonjour signed and secured a couple of rental leases for its existing shops in the previous financial year. As a consequence of increasing rents all over Hong Kong during the Year, there was an increase in the rent-to-turnover ratio for the retail and wholesale division, reaching 12.1% (2010: 9.9%). Under this difficult business environment, we were still able to control rental expenditure at an acceptable level. Thanks to our prudent and outstanding management expertise, the Group will continue to head towards the right direction in the coming years.

We expect that the rents in 2012 would eventually be stabilized after a strong increase in 2011. The Group will continue to improve operational efficiency by opening optimal-size retail shops and relocating shops to cost-effective locations.

Online Store

Bonjour's online shopping service (website: www.bonjourhk.com) was launched in 2005 and has enjoyed success. Our online store has recorded a vigorous 28% growth in turnover and posted more than HK\$38.1 million in revenue during the Year. In order to keep pace with the worldwide trend of online purchasing, we will continue to develop our online shopping service proactively. The Group targets to further develop on international market in the near future and further perfect the level of service we provide to our customers.

Marketing Efforts

During the year, the Group spent HK\$33.9 million (2010: HK\$17.7 million) in marketing on retail and wholesale, which has doubled compared with last year. Reinforced by the booming China economy, Chinese people have generally raised their standard of living, thus, expecting goods of higher quality and more international recognition. As a result, they are willing to spend a large amount of money on high-end cosmetics, skin care products and beauty services. Therefore, our marketing budget has focused on promoting our exclusive high-end label products, which was part of our development strategy to expand the sales volume and increase the value of such products in the retail network. That will sufficiently benefit our branding

and business in China in the long term. Overall, we believe in the importance of marketing and branding in delivering brand value and increasing traffic, which had led to the Group's increasing effort in marketing and brand promotion over the years.

Along the way, we have signed a number of celebrities as spokespersons, such as Ms. Shu Qi (舒淇小姐) and Ms. Rosamund Kwan Chi-lam (關之琳小姐), to deliver our brand value and outstanding products to our customers. We are also honored to promote some high-end cosmetics brands with high product quality and outstanding branding positioning. In short, though cost pressure in the retail business has been tough, the Group believes it is worthwhile and will continue to maintain the marketing investment in this division.

Demonstrate Ultimate Beauty by Professionalism

Bonjour's beauty services division provides comprehensive range of high quality and up-to-date beauty services and skin care products. The Group has been committed to providing an assortment of conspicuous beauty services for more than 10 years. We are grateful to years of diligence and professionalism, our persistent effort in offering a set of highly reliable beauty services to our customers has become the trademark of Bonjour Beauty. For the year ended 31 December 2011, the beauty services division recorded a segmental profit of HK\$54.5 million (2010: HK\$30.2 million), with a turnover of HK\$280.6 million, representing a 27.2% increase compared with HK\$220.6 million last year. The sales of beauty service packages have improved by 33%. The performance of the division has greatly improved during the Year, reflecting Bonjour's constant effort in achieving operating efficiency. The continued healthy development of the beauty service division has demonstrated our dedication to offer beauty services to customers who are looking for rejuvenating experiences from high-end beauty salons.

Beauty Services Network

During the Year under review, 2 more beauty salons were opened. As of 31 December 2011, Bonjour was operating 15 "About Beauty" beauty parlors in Hong Kong, Macau and China and 5 salons in providing auxiliary beauty services including foot massage and cosmetic dermatology services. The success of high-margin beauty service business depends on outlet growth and the economies of scale. We therefore expect that the returns generated by the salons will outweigh the high setup costs in the future, as we are having good control of the cost.

Marketing Efforts

In order to appeal to more customers with our excellent beauty services, the Group is dedicated to promoting the superior service of our beauty salons and delivering our brand value to our customers. Under the forceful competition in the local market, we have triumphed to obtain customers' awareness of our beauty shop "About beauty". The Group will maintain its efforts in contributing reasonably for marketing its beauty services as part of our long term goal to sustain the branding awareness in both Hong Kong and Macau.

PROSPECTS

While external uncertainties remain, Hong Kong will continue to benefit from the favourable policies implemented by the Central Government which will provide ample opportunities for Hong Kong companies. The Group will seek to continue strengthening its presence in the country to attain sustainable growth.

Providing an extraordinary shopping experience for Bonjour's customers is always our ultimate goal. To achieve this goal, the Group consistently endeavors to excel its business by heightening the level of convenience and enjoyment for shoppers and bringing quality and innovative beauty and body care goods and services with the most sensible value-for-money price to our customers. As we enter the new 2012 financial year, the Group remains vigilant in view of the economic environment, especially in the retail segment. As the purchasing power continues to grow in relation to better personal income, higher employment and greater living standards, the retail sector will undoubtedly benefit. Consequently, the Group will focus on developing the China market while maintaining steady development in Hong Kong.

In the previous financial year, the Group enjoyed pleasing results from an aggressive yet prudent growth strategy. Bonjour will have a store-opening plan by adding 5 to 7 new retail stores in Hong Kong, Macau and in mainland China, and 2 to 4 beauty salons in 2012. The plan will adapt to the changing economic environment. In addition, it is essential to expand the variety of our products and introduce more exclusive products with high margins to shift the sales mix further to higher end. To capture these opportunities, the Group will stick to our strategic expansion plan and we believe that our investment will continue to contribute to our success.

As China has now become the leading country in the world, the outlook is bright for its retail industry. In order to reap benefits in the China market, the Group will speed up its development in southern China, focusing on product differentiation and operational efficiency. In the new financial year, we aim to open approximately 3 to 5 retail stores in China to attract more customers and broaden our company name throughout China. We have faith in our prudent operational and management tactics. More stores will be opened and the name 'Bonjour' will gradually become more widely recognized, helping to boost the Group's revenue drive in the near future.

The development of Bonjour's beauty service division is another focus. In addition to opening more new beauty salons in Hong Kong in 2012, we will be concerned more on developing the beauty business in China. More efforts will also be on: 1) upgrading the service, labor quality and operational stability in all recently established beauty outlets; and 2) infuse more advanced technology for our medical beauty services in response to rising demand. As mentioned above, the Group has strong confidence in the development in China market and seeks to generate new strategies for its beauty service network in the China market.

The development of the China market is now the Group's key focus. Undeniably the bull's eye of our devotion which mostly drives our attention of the Group for the time being and in the future, however sustaining strong accounts is as important at the same time. We always stress the significance of expanding the variety of products in our retail stores, absorbing more exclusive products with high margins to shift the sales mix further to higher end, as

well as developing our own products to satisfy the needs of both the Hong Kong and PRC markets. Furthermore, we will strengthen the skills of our talented staff, customer services and connections. Apart from the current product lines that we are selling, we would also expand the number, category and source of products, particularly the high-end and international ones. The Group will continue to pay attention to the latest beauty trends and strategies worldwide, to help maintain our leading position in the industry and provide value to both Hong Kong and China customers. We will also keep an eye on any opportunities of merger and acquisitions projects in both Hong Kong and China.

Our dedication to beauty is unwavering despite economic fluctuations. Bonjour believes that thriving exuberantly in the retail business entails the nurturing of core corporate values. Our unique business model and strong corporate governance and ethics – from shareholders to suppliers to employees – are the extension of our operating philosophy. By accomplishing our goals, we wholeheartedly expect a future evolution in 2013 with a solid base of professionally-trained talents and expanding retail network. Most importantly, we believe that it is crucial to sustain stable and splendid prospects, a strong emphasis on fiscal responsibility, and operating competence and innovative marketing, which are all part of Bonjour's success story.

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 2011, the Group's cash and bank deposits amounted to HK\$294.2 million (2010: HK\$257.3 million). The Group's bank borrowings and finance lease payables as at 31 December 2011 were HK\$0.7 million (2010: HK\$24.1 million), out of which HK\$0.5 million (2010: HK\$23.5 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\$293.5 million as at 31 December 2011 (2010: HK\$233.2 million).

As at 31 December 2011, the Group's gearing ratio was 0.002 (2010: 0.114), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK\$288.7 million (2010: HK\$212.4 million). Total liabilities to Shareholders' funds improved to 187.0% as compared to 235.9% in last year. The current ratio of the Group was 1.24 in 2011 (2010: 1.16).

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\$100.4 million from HK\$212.1 million in 2010 to HK\$312.5 million in 2011. The profit before tax was HK\$286.9 million. The total amount of non-cash items amounting to HK\$67.2 million (mainly depreciation and share-based payments expense) was net off with a net decrease in working capital of HK\$7.8 million.

Net cash outflow from investing activities increased by HK\$4.0 million from HK\$45.8 million in 2010 to HK\$49.8 million in 2011. The increase was largely due to an increase in purchase of property, plant and equipment.

Net cash outflow from financing activities was HK\$225.8 million in 2011 (2010: HK\$122.9 million). The cash outflow for the Year mainly represented dividends paid, repurchase of shares, net-off with consideration received from issuance of new shares.

Contingent Liabilities

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Guarantees given by banks for rental payment to landlords	2,176	2,176
Guarantees given by banks for vendors	150	150
	2,326	2,326

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. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

None of bank borrowings at 31 December 2011.

Capital Structure

Exercise of Share Options

During the Year, the Company also issued and allotted 75,600,000 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, 11,364,000 fully paid ordinary shares were repurchased and all the 11,364,000 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 2011 was 3,007,684,000 shares.

Charges on Group Assets

As at 31 December 2011, certain of the Group's assets with carrying amount of approximately HK\$3.3 million (2010: 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 2011, the Group had approximately 1,650 (2010: 1,500) full-time and part-time employees in both Hong Kong, Macau and the PRC. For the Year, the total staff cost including directors' emoluments amounted to approximately HK\$369.5 million.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company repurchased a total of 11,364,000 fully-paid ordinary shares of the Company at an aggregate consideration of approximately HK\$13.9 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 2011	2,470,000	1.32	1.28	3,218,400
September 2011	8,894,000	1.30	1.02	10,693,700
Total	11,364,000			13,912,100

All of the 11,364,000 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 18 May 2011, the Shareholders granted a general and unconditional mandate to the Directors on an annual 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 18 May 2011.

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 HK2.88 cents (2010: HK2.80 cents) and a special dividend of HK0.32 cent (2010: Nil) per ordinary share for the Year. Together with interim dividend of HK3.60 cents (2010: HK2.30 cents and a special interim dividend of HK0.60 cent) per ordinary share was paid, the total dividend for the Year amounted to HK6.80 cents (2010: HK5.70 cents) per ordinary share.

Subject to the shareholders' approval at the forthcoming annual general meeting, the said final and special dividends will be paid to shareholders of the Company, whose names appeared on the registers of members of the Company on 31 May 2012 and payable on or about 15 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2012 to 23 May 2012, both days inclusive, during the period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 18 May 2012.

In addition, the register of members of the Company will also be closed on 29 May 2012 to 31 May 2012, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final and special dividends, if approved at the forthcoming annual general meeting of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 28 May 2012.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the year ended 31 December 2011, 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 retails sales and cosmetic product market and is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

MODEL CODE

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

AUDIT COMMITTEE

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

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, 28 March 2012

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.