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Bonjour Holdings Limited

卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the “Director(s)”) (the “Board”) of Bonjour Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, “Bonjour” or the “Group”) for the six months ended 30 June 2013 (the “Period”) (the “Interim Results”), together with comparative figures for the corresponding period last year. The Interim Results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$’000	HK\$’000
Turnover	2	1,434,451	1,311,911
Cost of goods sold		<u>(754,696)</u>	<u>(713,021)</u>
Gross profit		679,755	598,890
Other income	4	28,053	26,266
Distribution costs		(49,118)	(44,531)
Administrative expenses		(508,282)	(480,019)
Other operating expenses		<u>(261)</u>	<u>(1,472)</u>
Profit from operations		150,147	99,134
Finance costs	5	<u>(473)</u>	<u>(403)</u>
Profit before tax		149,674	98,731
Income tax expense	6	<u>(24,887)</u>	<u>(13,991)</u>
Profit for the period attributable to owners of the Company	7	<u>124,787</u>	<u>84,740</u>
Earnings per share	8		
Basic		<u>HK4.2 cents</u>	<u>HK2.8 cents</u>
Diluted		<u>HK4.0 cents</u>	<u>HK2.7 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Profit for the period	<u>124,787</u>	<u>84,740</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	<u>(611)</u>	<u>(324)</u>
Other comprehensive income for the period, net of tax	<u>(611)</u>	<u>(324)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>124,176</u>	<u>84,416</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		80,355	92,718
Rental and utility deposits		105,449	108,144
Prepayments		743	4,602
Deferred tax assets		1,850	1,850
		188,397	207,314
Current assets			
Inventories		278,062	248,335
Trade receivables	10	73,423	60,610
Rental and utility deposits		31,268	17,062
Prepayments, deposits and other receivables		67,078	55,116
Held-to-maturity investments		10,103	0
Current tax assets		16,787	9,164
Pledged bank deposits	11	18,782	18,525
Bank and cash balances	11	228,473	299,064
		723,976	707,876
Current liabilities			
Trade payables	12	153,297	160,023
Other payables, deposits received and accrued charges		116,566	124,859
Deferred revenue		225,854	219,598
Short-term bank borrowings	13	12,505	20,672
Trade finance loans	13	10,818	18,192
Finance lease payables		607	636
Current tax liabilities		45,312	34,890
		564,959	578,870
Net current assets		159,017	129,006
Total assets less current liabilities		347,414	336,320

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Non-current liabilities			
Deposits received		1,500	3,600
Finance lease payables		1,876	2,180
Long service payment liabilities		<u>5,824</u>	<u>5,824</u>
		<u>9,200</u>	<u>11,604</u>
NET ASSETS		<u>338,214</u>	<u>324,716</u>
Capital and reserves			
Share capital	<i>14</i>	29,913	29,913
Reserves		<u>308,301</u>	<u>294,803</u>
TOTAL EQUITY		<u>338,214</u>	<u>324,716</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2013 (Audited)	29,913	56,710	939	415	258	59,630	(161)	177,012	324,716
Total comprehensive income for the period	-	-	-	-	-	-	(611)	124,787	124,176
2012 final dividends paid	-	-	-	-	-	-	-	(110,678)	(110,678)
At 30 June 2013 (Unaudited)	<u>29,913</u>	<u>56,710</u>	<u>939</u>	<u>415</u>	<u>258</u>	<u>59,630</u>	<u>(772)</u>	<u>191,121</u>	<u>338,214</u>
At 1 January 2012 (Audited)	30,077	97,285	499	415	258	40,250	386	119,495	288,665
Total comprehensive income for the period	-	-	-	-	-	-	(324)	84,740	84,416
Issue of shares upon exercise of share options	60	652	-	-	-	-	-	-	712
Repurchase of share	(178)	(20,533)	178	-	-	-	-	-	(20,533)
Recognition of share-based payments	-	-	-	-	-	20,158	-	-	20,158
2011 final dividends paid	-	-	-	-	-	-	-	(95,978)	(95,978)
At 30 June 2012 (Unaudited)	<u>29,959</u>	<u>77,404</u>	<u>677</u>	<u>415</u>	<u>258</u>	<u>60,408</u>	<u>62</u>	<u>108,257</u>	<u>277,440</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	HK\$'000
	Net cash inflow from operating activities	73,903	27,506
	Net cash outflow from investing activities	(17,075)	(29,518)
	Net cash outflow from financing activities	(126,551)	(126,415)
		<hr/>	<hr/>
	Decrease in cash and cash equivalents	(69,723)	(128,427)
	Cash and cash equivalents at 1 January	317,589	292,779
	Effect of foreign exchange rate changes	(611)	(324)
		<hr/>	<hr/>
	Cash and cash equivalents at 30 June	<u>247,255</u>	<u>164,028</u>
	Analysis of cash and cash equivalents		
	Bank and cash balances	247,255	164,030
	Bank overdrafts	–	(2)
		<hr/>	<hr/>
		<u>247,255</u>	<u>164,028</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2012.

In the current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current Period and prior years.

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

2. TURNOVER

Revenue recognized during the Period are as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sales of merchandise	1,279,845	1,157,844
Service income of beauty treatment services	146,219	145,114
Commission income	8,387	8,953
	<u>1,434,451</u>	<u>1,311,911</u>

3. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group’s consolidated financial statements for the year ended 31 December 2012.

Information about reportable segment profit or loss:

	Wholesaling and retailing of beauty and health-care products (Unaudited) <i>HK\$'000</i>	Operation of beauty and health salons (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2013				
Revenue from external customers	1,288,232	146,219	–	1,434,451
Intersegment revenue	1,107	–	–	1,107
Segment profit	134,156	9,984	–	144,140
Interest revenue	–	–	516	516
Interest expense	–	–	473	473
Depreciation	<u>10,509</u>	<u>9,463</u>	<u>–</u>	<u>19,972</u>
	Wholesaling and retailing of beauty and health-care products (Unaudited) <i>HK\$'000</i>	Operation of beauty and health salons (Unaudited) <i>HK\$'000</i>	Unallocated (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2012				
Revenue from external customers	1,166,797	145,114	–	1,311,911
Intersegment revenue	860	–	–	860
Segment profit	44,860	28,008	–	72,868
Interest revenue	–	–	170	170
Interest expense	–	–	403	403
Depreciation	11,446	6,927	–	18,373
Other material non-cash item: Share-based payments	<u>18,344</u>	<u>1,814</u>	<u>–</u>	<u>20,158</u>

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) (Restated) <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	1,435,558	1,312,771
Elimination of intersegment revenue	(1,107)	(860)
	<hr/>	<hr/>
Consolidated revenue	1,434,451	1,311,911
	<hr/>	<hr/>
Profit or loss		
Total profit or loss of reportable segments	144,140	72,868
Unallocated amounts:		
Other income	6,007	6,772
Finance costs	(473)	(403)
	<hr/>	<hr/>
Consolidated profit before tax	149,674	79,237
	<hr/>	<hr/>

4. OTHER INCOME

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Bank interest income	516	170
Rental income	7,046	6,934
Compensation income	–	12,560
Licence income	15,000	2,500
Other income	5,491	4,102
	<hr/>	<hr/>
	28,053	26,266
	<hr/>	<hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Interest expense on bank borrowings	423	362
Finance lease charges	50	41
	<hr/>	<hr/>
	473	403
	<hr/>	<hr/>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the Period.

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

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	22,600	13,231
Overseas	2,287	760
	<u>24,887</u>	<u>13,991</u>

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Costs of goods sold	754,696	713,021
Depreciation	19,972	18,373
(Gains)/loss on disposal of property, plant and equipment	(121)	342
Net exchange losses	383	1,130
	<u>784,930</u>	<u>742,866</u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$124,787,000 (2012: HK\$84,740,000), and the weighted average of 2,991,294,000 (2012: 3,001,632,000) ordinary shares in issue during the Period.

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company for the Period is based on the unaudited profit for the Period attributable to owners of the Company of approximately HK\$124,787,000 (2012: HK\$84,740,000). The weighted average number of ordinary shares used in the calculation is 2,991,294,000 (2012: 3,001,632,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 141,914,000 (2012: 139,840,000) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all share options during the Period.

9. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim, proposed of HK2.5 cents (2012: HK2.3 cents) per ordinary share	74,782	68,871
Special, proposed of HK0.9 cent (2012: Nil) per ordinary share	26,922	–

At a Board meeting held on 22 August 2013, the Board declared an interim dividend of HK2.5 cents (2012: HK2.3 cents) and a special dividend of HK0.9 cent (2012: Nil) per ordinary share. These proposed dividends are not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

10. TRADE RECEIVABLES

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

	At 30 June	At 31 December
	2013	2012
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Wholesales debtors		
0 – 30 days	10,464	9,166
31 – 60 days	4,969	6,316
61 – 90 days	2,580	1,614
91 – 120 days	625	366
Over 120 days	6,660	61
	25,298	17,523
Trade receivables under credit card sales		
0 – 30 days	41,720	38,244
31 – 60 days	4,704	4,491
61 – 90 days	1,524	90
91 – 120 days	60	46
Over 120 days	117	216
	48,125	43,087
Total	73,423	60,610

11. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Cash at bank and on hand	162,576	292,647
Time deposits	84,679	24,942
	<u>247,255</u>	<u>317,589</u>
Less: Pledged bank deposits	(18,782)	(18,525)
	<u>228,473</u>	<u>299,064</u>
Bank and cash balances	228,473	299,064
Less: Non-pledged bank deposits with more than three months to maturity	(53,042)	(19,877)
	<u>175,431</u>	<u>279,187</u>

12. TRADE PAYABLES

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

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
0 – 30 days	77,405	84,591
31 – 60 days	52,292	50,795
61 – 90 days	16,852	17,508
91 – 120 days	4,996	4,782
Over 120 days	1,752	2,347
	<u>153,297</u>	<u>160,023</u>

13. BANK BORROWINGS

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Trade finance loans	10,818	18,192
Short-term bank borrowings	12,505	20,672
	<u>23,323</u>	<u>38,864</u>

14. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group Review

For the interim results in the first half of 2013, the Group recorded an aggregate turnover of HK\$1,434.5 million (2012: HK\$1,311.9 million) during the six months ended 30 June 2013, representing a growth rate of 9.3% over the same period last year. The gross profit margin slightly improved from 45.7% in 2012 to 47.4% during the Period. Profit attributable to owners of the Company increased by 47.3% to HK\$124.8 million (2012: HK\$84.7 million) which is mainly due to increase in turnover and there was no share-based payments in 2013 (2012: HK\$20.2 million).

The Board proposed an interim dividend of HK2.5 cents (2012: HK2.3 cents) and a special dividend of HK0.9 cent (2012: Nil) per ordinary share for the Period.

Business Review

Retail and Wholesale Division Review

During the Period, the Group's retail and wholesale division recorded a turnover of HK\$1,288.2 million, representing an increase of 10.4% compared to HK\$1,166.8 million in the last corresponding period. The increase in turnover of retail and wholesale businesses was mainly driven by the contributions from tourists. According to the official figures released by the Hong Kong Tourism Board, the total number of visitors arrivals to Hong Kong in the six months of 2013 was around 25.4 million, representing a growth of 15.0%, compared to last corresponding period. Among these 25.4 million visitors, around 74% of which come from China. To these visitors, especially those Chinese visitors, "Bonjour" brand is well recognised. In this challenging situation, the Group managed to improving both revenue and gross profit to compensate the general increase in costs.

The division net profit was increased 198.9% to HK\$134.2 million (2012: HK\$44.9 million) during the Period. Most of the retailers are facing the challenges in the Hong Kong retail market and the fluctuating global economy. There is no exception for the Group. Facing the escalating operational costs, especially for rental and labor costs.

The whole retail market has, undoubtedly, been facing higher operating costs caused by roaring rental cost in the traditional shopping areas. The Group has managed rental cost pressures prudently, closing stores that are faced with unreasonable rental hikes and replacing them with new stores in nearby locations. We believe this business strategy will help reducing operating risks and the threat of rental hikes. We will try to maintain a balance between the business expansion and the control of the operating cost. Adhering to the prudent expansion plan, the total number of stores has decreased to 45 as of 30 June 2013 (2012: 49). The Group is fine-tuning operation on very effort to offset rising rental by improving profit margin and improve the efficiency of each store. During the Period, the same store growth rates was 18.8%.

The increase in staff cost was due to the inflation, rising training cost together with strategy to promote our of exclusive brands, which led to an increase in staff commission on the retail front.

To further expand customers base and the number of transactions, the Group increased its brand-building and advertising effort. New marketing promotion of exclusive brands increased profit margin and penetrated into new market segments. During the Period, marketing expense was increased 9.4% to HK\$22.3 million (2012: HK\$20.4 million). While the marketing to turnover ratio was reduced by 0.02% to 1.73% (2012: 1.75%). We believe this sound investment in marketing strategy to capture more business opportunities is favorable to the Group's future growth. At the same time, the purchasing team maintained close attention to market trends by launching trendy, timely and exclusive products catering to different customers.

In terms of cost control, the Group closely monitored cost drivers. Meanwhile, we have implemented operational improvement initiatives including efficient store operation, broadening product range, enhancing inventory management and minimizing operating expenses, so as to achieve the Group's operational efficiency.

Beauty Services Division Review

Currently, with the operation of 14 "About Beauty" parlors and 6 auxiliary beauty services centers providing a wide range of services, including foot massage, manicure and cosmetic dermatology services in Hong Kong, Macau, Guangzhou and Shanghai, the Group has been offering comprehensive beauty services to the customers.

The beauty services division recorded a segment revenue of HK\$146.2 million (2012: HK\$145.1 million), representing an increase of 0.8%. Segment profit for the Period was HK\$10.0 million (2012: HK\$28.0 million), decrease in segment profit was due to increase in rental expenses and salaries. With a long commitment in the beauty service business, coupled with the increasing demand for medical beauty treatments, quality beauty products and creative marketing strategy, the Group is confident that total turnover generated from beauty salons is promising in the coming years.

Enhancing Online Customers Shopping Experience (www.bonjourhk.com)

With the growing business expansion of ecommerce in recent years, the online shop plays an important channel to acquire new target customers and increase frequent and repeat transactions. On marketing strategy, the online shop provided special offers on different occasions like Christmas and New Year and on selected branded products to increase revenue.

During the Period, the Group recorded sales growth in both local and overseas markets by 13.1%, reaching HK\$22.4 million in revenue. The growth is resulted from product quality, transaction security and logistics convenience. The Group will continue to improve the website navigation, design and search mechanism to enhance user experience.

Prospects

Looking ahead, Bonjour remains cautious about the global economic environment. However, Hong Kong's sound economic fundamentals and its proximity to the Mainland as a high growth centre will be strong pillars for its sustainable development. The Group is confident that it would sustain growth at a reasonable pace with its strong and established brand name.

With an aim to achieve long-term sustainable growth and solidify the Group's brand image of authenticity and quality products and services, the Group will continue to pursue its existing strategies of expanding the Group's retail network, focusing marketing on exclusive brands, introducing well-designed products, enhancing the shopping experience, strengthening customer relationships, sharpening competitiveness and further improving profitability, while balancing all of those efforts with prudent development strategy and careful risk management.

As one of the leading beauty retailers in Hong Kong, Macau and Guangzhou, the Group is well-positioned to capture the potential growth through the below strategies to bring benefits to customers and achieve long-term business growth:

- Product mix: improve the product portfolio by enhancing exclusive brands with supreme quality and higher profitability. It is believed strong exclusive brands and successful marketing will lead to further improvement in sales mix.
- Business expansion: closely monitor rental cost by relocating shops to more cost-effective locations and adopt disciplined retail network expansion strategy in Hong Kong; at the same time, facilitate development in Guangzhou and starting the wholesale business in other provinces of China which are expected to enjoy rising income resulting from China's steady economy growth in the coming years.
- Staff training: actively pursue a strategy to recruit, develop and retain talented employees which the management believes that staff qualification and service quality have to be kept improving and talent is key to the Group's business success and reputation.
- Merger and Acquisition (the "M&A"): seek opportunities for corporations and the M&As and identify the right opportunity with those enterprises whose products and services are complementary with the Group, to further explore and increase the Group's long-term development.

Regarding the beauty service business, the Group will continue to gain a strong reputation from its customers by upgrading the quality of its skin care and wellness products, value-added service package and purchasing more advanced overseas beauty equipment to meet customer demand. In addition, medical beauty is an enormous beauty trend thanks to advancement in technology and the beauty concept of anti-aging. With the team of professional consultants, the Group gain steady growth in this promising sector.

As always, the Group will maintain conservative management policy supported by healthy financial position. The management strongly believes the beauty business is able to weather the ups and downs of the global economy by strengthening the Group's existing core businesses while embracing new growth opportunities.

Stepping into the second half of 2013, we will continue to serve our customers by developing additional performance-driven services to sustain customer loyalty. At the same time, the Group will adopt enhanced synergy with its business partners with an aim to create extra value to stakeholders and maximize portfolio values for the future.

Financial Review

Liquidity and Financial Resources

As at 30 June 2013, the Group's cash and bank deposits amounted to HK\$247.3 million (31 December 2012: HK\$317.6 million). The Group's bank borrowings and finance lease payables as at 30 June 2013 were HK\$15.0 million (31 December 2012: HK\$23.5 million), out of which, HK\$13.1 million (31 December 2012: HK\$21.3 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2013 was 0.044 (31 December 2012: 0.072), and was calculated based on the Group's bank borrowings and finance lease payables, divided by total equity of HK\$338.2 million (31 December 2012: HK\$324.7 million). The current ratio of the Group as at 30 June 2013 was 1.28 (31 December 2012: 1.22).

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

Cash Flow

Net cash inflow from operations for the Period was HK\$73.9 million (2012: HK\$27.5 million). The profit before tax was HK\$149.7 million. The total amount of non-cash items amounting to HK\$19.8 million (mainly depreciation and share-based compensation expense) and was net off with a net decrease in working capital of HK\$73.0 million.

Net cash outflow from investing activities for the Period was HK\$17.1 million (2012: HK\$29.5 million), which mainly represented capital expenditure on purchase of fixed assets amounting to HK\$7.5 million, and increase in pledged deposits and non-pledged but more than 3 months maturity deposits amounting to HK\$33.4 million in the Period.

Net cash outflow from financing activities for the Period was HK\$126.6 million (2012: HK\$126.4 million), which mainly represented dividends paid and repayment of bank borrowings in the Period.

Contingent Liabilities

As at 30 June 2013, the Group had contingent liabilities totaling HK\$20.6 million (31 December 2012: HK\$20.6 million) which mainly represented guarantee given by bank for rental payment to landlord.

Foreign Exchange Exposure

The Group has little exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As at 30 June 2013, none of the Group's bank borrowings was in foreign currency. The Group's bank borrowings were on floating rate basis at either bank prime rate

or short-term inter-bank offer rates. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

Capital Structure

Exercise of Share Options

During the Period, the Company did not issued and allotted new shares.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2013 was 2,991,294,000.

Charge on Group Assets

As at 30 June 2013, certain of the Group's assets with a net book value of approximately HK\$20.6 million (31 December 2012: HK\$20.4 million) were pledged to secure banking facilities granted to the Group.

Significant Investments

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

Material Acquisition or Disposal of Subsidiaries and Associated Companies

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

Human Resources

As at 30 June 2013, the Group had approximately 1,788 (2012: 1,660) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the Period were HK\$211.1 million (2012: HK\$206.8 million). The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individual's performance. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.

Dividends

The Board has resolved to declare an interim dividend of HK2.5 cents (2012: HK2.3 cents) and a special dividend of HK0.9 cent (2012: Nil) per ordinary share for the Period to be payable to the shareholders of the Company whose names appear on the register of members of the Company on 10 September 2013 and such payable is expected on or around 23 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 6 September 2013 to 10 September 2013, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK2.5 cents and a special dividend of HK0.9 cent per ordinary share of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 5 September 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries has purchased or sold any listed securities of the Company during the Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Period, the Group has complied with the code provisions prescribed in the Corporate Governance Code (the "CG Code") set out in the Appendix 14 to the Listing Rules, except for the deviation from code provision A.2.1 which is explained in the following relevant paragraph.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the Period, Dr. Ip Chun Heng, Wilson is both the Chairman of the Board and the chief executive officer of the Company. The Board considered that Dr. Ip Chun Heng, Wilson has in-depth knowledge and experience in the retail sales and cosmetic product market and he is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference. At present, members of the Audit Committee comprise three independent non-executive Directors, namely Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong. Mr. Wong Chi Wai is the Chairman of the Audit Committee. During the Period, two meetings of the Audit Committee have been held. The Audit Committee has reviewed the effectiveness of both the external audit and internal control and also the risk evaluation. The unaudited financial statements of the Group for the Period have been reviewed by the Audit Committee.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has established a remuneration committee and a nomination committee on 16 September 2005. These board committees were formed to ensure maintenance of high corporate governance standards.

By order of the Board
Ip Chun Heng, Wilson
Chairman

Hong Kong, 22 August 2013

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