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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 2015**

RESULTS

The board of directors (the “Board” or “Directors”) of Bonjour Holdings Limited (“Bonjour” or 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 2015 (the “Year”) with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2015*

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations			
Turnover	3	2,286,806	2,795,658
Cost of goods sold		<u>(1,331,801)</u>	<u>(1,627,223)</u>
Gross profit		955,005	1,168,435
Other income	4	69,014	52,298
Distribution costs		(73,147)	(83,872)
Administrative expenses		(897,001)	(902,598)
Other operating expenses		<u>(3,148)</u>	<u>(2,754)</u>
Profit from operations		50,723	231,509
Finance costs	6	<u>(11,425)</u>	<u>(1,836)</u>
Profit before tax		39,298	229,673
Income tax expense	7	<u>(6,023)</u>	<u>(39,177)</u>
Profit for the year from continuing operations	8	33,275	190,496
Discontinued operations			
Profit for the year from discontinued operations	9	<u>398,953</u>	<u>35,026</u>
Profit for the year		<u>432,228</u>	<u>225,522</u>
Attributable to owners of the Company		<u>432,228</u>	<u>225,522</u>
Earnings per share			
From continuing and discontinued operations	11		
Basic		<u>HK12.7 cents</u>	<u>HK6.6 cents</u>
Diluted		<u>HK12.4 cents</u>	<u>HK6.4 cents</u>
From continuing operations			
Basic		<u>HK1.0 cent</u>	<u>HK5.6 cents</u>
Diluted		<u>HK1.0 cent</u>	<u>HK5.4 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015	2014
	HK\$'000	HK\$'000
Profit for the year	<u>432,228</u>	<u>225,522</u>
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement losses on long service payment liabilities	<u>(467)</u>	<u>(1,266)</u>
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	2,950	(1,666)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	906	–
Fair value changes of available-for-sale financial assets	<u>135,171</u>	<u>–</u>
	<u>139,027</u>	<u>(1,666)</u>
Other comprehensive income for the year, net of tax	<u>138,560</u>	<u>(2,932)</u>
Total comprehensive income for the year	<u>570,788</u>	<u>222,590</u>
Attributable to owners of the Company	<u>570,788</u>	<u>222,590</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		809,846	749,557
Rental and utility deposits		94,081	86,751
Available-for-sale financial assets		584,524	–
Deferred tax assets		1,289	2,834
		<u>1,489,740</u>	<u>839,142</u>
Current assets			
Inventories		256,552	261,084
Trade receivables	12	41,062	43,352
Rental and utility deposits		39,098	48,422
Prepayments, deposits and other receivables		30,183	42,846
Amount due from a related company		1,184	–
Current tax assets		6,502	–
Pledged bank deposits		6,328	18,976
Bank and cash balances		97,153	189,413
		<u>478,062</u>	<u>604,093</u>
Assets classified as held for sale	13	<u>–</u>	<u>105,714</u>
		<u>478,062</u>	<u>709,807</u>
Current liabilities			
Trade payables	14	162,085	170,375
Other payables, deposits received and accrued charges		122,806	86,771
Amounts due to related companies		3,379	–
Bank borrowings		149,440	174,944
Trade finance loans		24,269	18,056
Finance lease payables		2,103	2,103
Current tax liabilities		10,033	13,544
Bank overdrafts		–	2
		<u>474,115</u>	<u>465,795</u>
Liabilities directly associated with assets classified as held for sale	13	<u>–</u>	<u>240,361</u>
		<u>474,115</u>	<u>706,156</u>
Net current assets		<u>3,947</u>	<u>3,651</u>
Total assets less current liabilities		<u>1,493,687</u>	<u>842,793</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2015*

	<i>Note</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Non-current liabilities			
Other payables and deposits received		23,751	22,445
Loan from a related company		138,000	–
Bank borrowings		243,087	232,121
Finance lease payables		4,631	6,734
Deferred tax liabilities		1,535	–
Long service payment liabilities		4,655	4,118
		<u>415,659</u>	<u>265,418</u>
NET ASSETS		<u>1,078,028</u>	<u>577,375</u>
Capital and reserves			
Share capital		34,126	33,990
Reserves		1,043,902	543,385
TOTAL EQUITY		<u>1,078,028</u>	<u>577,375</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015.

Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Group has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the amendments had no effect on the Group’s consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

3. TURNOVER

An analysis of the Group’s turnover for the year from continuing operations is as follows:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Sales of merchandise	2,277,418	2,781,308
Commission income	9,388	14,350
	<u>2,286,806</u>	<u>2,795,658</u>

4. OTHER INCOME

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Continuing operations		
Dividend income from listed equity investments	1,208	–
Interest income on bank deposits	1,410	2,900
Licence income	12,438	24,354
Rental income	40,223	11,896
Sundry income	13,735	13,148
	<u>69,014</u>	<u>52,298</u>

5. SEGMENT INFORMATION

The Group has carried on a single business from continuing operations, which is wholesaling and retailing of beauty and health-care products. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	2,053,500	2,524,910	805,133	744,848
Macau	219,500	231,475	1,998	2,392
PRC except Hong Kong and Macau	13,806	39,273	2,715	2,317
Consolidated total	<u>2,286,806</u>	<u>2,795,658</u>	<u>809,846</u>	<u>749,557</u>

Revenue from major customers:

There was no single customer whose revenue amounted to 10% or more of the Group's revenue for the years ended 31 December 2014 and 2015.

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Interest expense on bank borrowings	7,068	1,728
Interest expense on loan from a related company	4,140	–
Finance leases charges	217	108
	<u>11,425</u>	<u>1,836</u>

7. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	3,799	37,492
(Over)/under-provision in prior years	<u>(618)</u>	<u>9</u>
	<u>3,181</u>	<u>37,501</u>
Current tax – Overseas		
Provision for the year	1,960	2,362
Over-provision in prior years	<u>(2,198)</u>	<u>(1,281)</u>
	<u>(238)</u>	<u>1,081</u>
Deferred tax	<u>3,080</u>	<u>595</u>
	<u>6,023</u>	<u>39,177</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year ended 31 December 2015.

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax (from continuing operations)	<u>39,298</u>	<u>229,673</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	6,484	37,896
Tax effect of income that is not taxable	(397)	(339)
Tax effect of expenses that are not deductible	1,857	1,662
Tax effect of utilisation of tax losses not previously recognised	(123)	(267)
Tax effect of unrecognised tax losses and temporary differences	2,291	3,519
Over-provision in prior years	(2,816)	(1,272)
Effect of different tax rates of subsidiaries	<u>(1,273)</u>	<u>(2,022)</u>
Income tax expenses (relating to continuing operations)	<u>6,023</u>	<u>39,177</u>

8. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditors' remuneration		
Current	1,058	946
Under-provision in prior year	6	–
	1,064	946
Cost of inventories sold (<i>Note</i>)	1,331,801	1,627,223
Reversal of allowance for slow-moving inventories (<i>Note</i>)	(23)	(184)
Depreciation	34,054	32,182
Gain on disposal of property, plant and equipment	–	(580)
Write off of property, plant and equipment	362	104
Net exchange losses	2,851	3,136
Operating lease charge for land and buildings (included contingent rentals of HK\$833,000 (2014: HK\$2,464,000))	493,413	473,806
Staff costs, including directors' emoluments		
Wages and salaries	265,044	298,511
Share-based payments	4,164	1,761
Retirement benefits scheme contributions	12,132	12,407
(Reversal of provision for)/provision for unutilised annual leave	(140)	2,614
Provision for long service payments	70	471
	281,270	315,764

Note: Cost of inventories sold includes reversal of allowance for slow-moving inventories of HK\$23,000 (2014: HK\$184,000) which is included in the amount disclosed separately above.

9. DISCONTINUED OPERATIONS

On 20 August 2014, Bonjour Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Town Health International Medical Group Limited (the “Purchaser”) for sale and purchase of 100% of the entire share capital of Bonjour Beauty International Limited and its subsidiaries (the “disposal group”) at a consideration of HK\$423,780,000 which will be satisfied by the allotment and issue of 365,327,586 consideration shares at an issue price of HK\$1.16 per share by the Purchaser. The disposal group carried out all of the Group’s beauty and health salons operations. The disposal was completed on 1 January 2015.

The net proceeds of sale are expected to exceed the aggregate carrying amount of the related assets and liabilities and, no impairment losses were recognised, when the operation was reclassified as a disposal group held for sale or at 31 December 2014.

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Profit for the year from discontinued operations:		
Turnover	–	348,344
Cost of goods sold and services rendered	–	(18,278)
Other income	–	1,392
Distribution costs	–	(18,985)
Administrative expenses	–	(269,369)
Other operating expenses	–	(78)
	<hr/>	<hr/>
Profit before tax	–	43,026
Income tax expense	–	(8,000)
	<hr/>	<hr/>
	–	35,026
Gain on disposal of subsidiaries	398,953	–
	<hr/>	<hr/>
	398,953	35,026
	<hr/>	<hr/>
Profit for the year from discontinued operations (attributable to owners of the Company)	398,953	35,026
	<hr/>	<hr/>

Profit for the year from discontinued operations include the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditors' remuneration		
Current	–	620
Under-provision in prior year	–	5
	–	625
Cost of goods sold and services rendered	–	18,278
Depreciation	–	17,464
Gain on disposal of property, plant and equipment	–	(12)
Write off of property, plant and equipment	–	90
Net exchange gains	–	(958)
Operating lease charge for land and buildings (included contingent rentals of HK\$Nil (2014: HK\$87,000))	–	60,143
Staff costs, including directors' emoluments		
Wages and salaries	–	129,969
Share-based payments	–	3,873
Retirement benefits scheme contributions	–	4,201
Provision for unutilised annual leave	–	1,410
Provision for long service payments	–	591
	–	140,044
Cash flows from discontinued operations:		
Net cash inflows from operating activities	–	20,122
Net cash outflows from investing activities	(30,515)	(5,158)
Net cash outflows from financing activities	–	(28,000)
Net cash outflows	(30,515)	(13,036)

10. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend paid of HK0.10 cent (2014: HK2.00 cents) per ordinary share	3,415	68,212
Proposed final dividend of HK0.10 cent (2014: HK2.10 cents) per ordinary share	3,413	71,768
	6,828	139,980

11. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>432,228</u>	<u>225,522</u>
	2015	2014
Number of shares		
Issued ordinary shares at 1 January	3,399,032,000	3,003,294,000
Effect of new shares issued	–	104,741,096
Effect of new shares issued upon exercise of share options	16,353,534	–
Effect of repurchase of shares	(2,568,476)	(7,545,234)
Effect of bonus issue on shares outstanding at 1 January 2014	<u>–</u>	<u>300,329,400</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,412,817,058	3,400,819,262
Effect of dilutive potential ordinary shares arising from share options outstanding	<u>78,948,978</u>	<u>136,213,782</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>3,491,766,036</u>	<u>3,537,033,044</u>

From continuing operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share	432,228	225,522
Profit for the year from discontinued operations	<u>(398,953)</u>	<u>(35,026)</u>
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	<u>33,275</u>	<u>190,496</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

From discontinued operations

Basic earnings per share from the discontinued operations is HK11.7 cents per share (2014: HK1.0 cent per share) and diluted earnings per share from the discontinued operations is HK11.4 cents per share (2014: HK1.0 cent per share), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK\$398,953,000 (2014: HK\$35,026,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

12. 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, including those classified as part of a disposal group held for sale, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Wholesales debtors		
0-30 days	3,242	5,387
31-60 days	2,791	2,486
61-90 days	1,726	681
91-120 days	2,433	119
Over 120 days	4,626	163
	<u>14,818</u>	<u>8,836</u>
Trade receivables under credit card sales		
0-30 days	11,590	35,638
31-60 days	4,374	9,215
61-90 days	4,993	6,199
91-120 days	4,151	4,928
Over 120 days	1,136	2,783
	<u>26,244</u>	<u>58,763</u>
Total	<u>41,062</u>	<u>67,599</u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Assets classified as held for sale	–	105,714
Liabilities directly associated with assets classified as held for sale	–	240,361

As described in note 9, the disposal of beauty and health salons operations was completed on 1 January 2015. The fair value less costs to sell of the business is higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised neither on reclassification of the assets and liabilities as held for sale, nor as at 31 December 2014. The major classes of assets and liabilities of the beauty and health salons operations at 31 December 2014 are as follows:

	2014 <i>HK\$'000</i>
Property, plant and equipment	21,201
Rental and utility deposits	17,429
Deferred tax assets	724
Trade receivables	24,247
Prepayments, deposits and other receivables	6,273
Current tax assets	5,325
Bank and cash balances	30,515
Assets classified as held for sale	105,714
Trade payables	2,869
Other payables and accrued charges	23,090
Deferred revenue	205,830
Current tax liabilities	6,503
Deferred tax liabilities	853
Long service payment liabilities	1,216
Liabilities associated with assets classified as held for sale	240,361
Net liabilities classified as held for sale	(134,647)

14. TRADE PAYABLES

The ageing analysis of the Group's trade payables, including those classified as part of a disposal group held for sale, based on the date of receipt of goods, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	86,026	85,892
31–60 days	52,116	55,950
61–90 days	16,807	22,576
91–120 days	2,742	5,411
Over 120 days	4,394	3,415
	<u>162,085</u>	<u>173,244</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Unfavorable domestic and international factors caused losing competitiveness of Hong Kong in 2015 which Hong Kong retailers were put in challenging conditions. Official statistics released by Census and Statistics Department showed that, the value of total retail sales in 2015 decreased by 3.7% to HK\$475.2 billion compared to 2014.

The continuous slowdown of economic growth momentum and volatile stock market in China dampened the consumption confidence of Mainland tourists. In addition, the devaluation of couples of foreign currencies against the strengthening US dollars attracted tourists to spend their holidays (especially long holidays) in other regions, leading to a drop of tourist arrivals in Hong Kong.

Mainland China tourists had been the main retail sales growth driver in recent years after the implementation of multi-entry scheme. Under the restrictions placed in April, Shenzhen permanent residents are permitted to only one-visit-one week which marked a drag on the Mainland tourist arrivals in Hong Kong. The local social uncertainties also imposed negative factors on the overall Hong Kong retail markets.

According to the official statistics released by Hong Kong Tourism Board, total number of visitor arrivals to Hong Kong decreased by 2.5% to 59.3 million, where same day Visitors decreased by 1.4% to 32.6 million while overnight visitors decreased by 3.9% to approximately 26.7 million, visitors from Mainland China dropped by 3% to approximately 45.8 million, accounting for approximately 77.3% of total visitors.

BUSINESS REVIEW

Retail Sales

The Group strived to steady its profitability in the midst of deteriorating economic condition through effective promotion strategy and comprehensive product mix. We, as usual, adopted cautious pricing strategy and adequate discount control initiatives to ensure optimal sales efficiency whilst safeguard brand profitability and the leading position in the industry.

The recent spread of Korean wave leading the popularity of its products, indeed, Korean products are in vogue because of pricing and product concepts. During the Year, the Group introduced various quality trendy Korean cosmetic brands to adapt the change of consumers' preferences and consumption pattern as well as to diversify the product choice. In the financial year, sales of Korean products took up about 18.5% of revenues.

Rental and store network

In view of the downturn of retail backdrop, rental of prime location dropped in 2015 easing the rental cost pressure in the industry. Despite an expectation of continuous rental declination strengthened bargaining power of retailers against landlords, the Group remained prudent on the store network expansion strategy. As at 31 December 2015, the Group had a presence in Hong Kong, Macau and Guangzhou with the overall store count of 47 (2014: 46). The Group will cautiously analyse the rental momentum when considering future new lease to optimize the operating efficiency of the Group.

E-commerce

After years of rapid development, the e-commerce market of Mainland China has entered into a maturing stage. The official statistics of National Bureau of Statistics of the People's Republic of China showed that, online retail sales amounted to RMB3.88 trillion in 2015, increased 33.3% year-on-year. The Group recognized huge potential of the e-commerce business in China and deployed more resources in the online channel development. The Group directly communicated with customers via online social platforms such as WeChat and Facebook, at the same time, serving as the main information and latest promotion delivery channels. Fostering our brands to the PRC and foreign markets, a Tmall.hk online store was opened. The Group successfully partnered with Alipay which raised brand awareness in China. The Group was named "the most popular brand" and one of the highest turnover brand among the top three on Alipay Double Twelve Shopping Day. The success with Alipay partnership proved to be essential to the Group's e-commerce channel development and sustained growth.

Brand Management

During the Year, the Group continued its branding initiatives engagement, building recognition in the market to offer quality beauty products in response to customers' needs. Currently, the Group is the distributor of 180 internationally-renowned exclusive beauty and health care products such as Suisse Reborn, Yumei, WOWWOW and Dr. Schafer. The Group invited a number of reputable celebrities as our brand ambassadors in Hong Kong such as Miss Ada Choi (Suisse Reborn), Miss Myolie Wu and Miss Kary Ng (Dr. Bauer), Miss Elanne Kwong (WOWWOW), Miss Elaine Yiu and Mr. Louis Cheung (Dr. Schafer) and Miss Tracy Chu (Yumei). They played critical roles to reinforce the awareness of the Group among customers and business partners through their unique fascination. In addition, the Group continued to strengthen our social media network to offer the latest trendy products and beauty information to our esteemed customers.

During the year, marketing expenditure of the Group recorded a decrease of 13.3%, amounted to HK\$34.5 million from HK\$39.8 million in 2014. The Group believed that its marketing strategy effectively created customers loyalty and thus enhanced the profitability in particular to our exclusive brands in long run.

Talents training and Social Responsibility

The Group's long-term success is attributable to the efforts of front-line professional retail talents. Therefore, we treasured these precious assets and continued to hold on to "commitment to serving our honorable customers", the Group's core brand value, through decades. We encourage continuous studies. Bonjour therefore arranged workshops and training programs for our staff, acknowledging them with the latest cosmetic and beauty information in the market, as well as achieving personal growth. Our talents were awarded "Distinguished Salesperson Award (DSA)" from SME Club for the second consecutive year in recognition of their outstanding performances. Besides, Bonjour was awarded "Hong Kong Top Service Brand Ten Year Achievement Award" from "Hong Kong Brand Development Council" in recognition of the staff effort in the provision of prestigious customer services. Despite the rising labour cost, the Group continued to deploy resources in talent recruitment and training to ensure provision of prime consumption experience to our customers, thus enhanced our competitiveness in the Hong Kong retail industry.

The Group believed that all corporates have the obligation to give back to the community. For that reason, the Group endeavored to the city sustainable development in three main aspects like environment, social and governance issues. During the year, the Group sponsored charity hiking activity organized by Hong Kong Shine Tak Foundation which encouraged R&D of technology products that help the needy in the community. Besides, Bonjour was the title sponsorship for "Yan Chai Charity Show" in 2015. In light of climate change prevention which noise has been rising in recent years, the Group initiated paperless e-filing and use of recycled paper in the company, in particular, the Group adopted environmental paper for the publication of annual report, creating a more environmental friendly working habit. We realized the importance of the bond among corporates and the community and continued to commit in making Hong Kong a better city for the next generations.

Outlook

Hong Kong retail market facing challenges in 2016

The year ahead will be very challenging because of economic uncertainty, social and political issues and intensive competition, the retail market in Hong Kong remains volatile. In China, its GDP growth further slowed to 6.9% in 2015, down from a peak of 7.5% since the second quarter of 2014. The recent depreciation of Renminbi, which was widely viewed as a precursor to more correction measures to come, has put pressure on the purchasing power of the Chinese consumers.

Hong Kong and Macau continued to experience a decrease in the number of visiting tourists, with a negative year-on-year growth in visitors showing signs of entrenchment. In particular, as being affected by one-visit-one-week policy, the number of Mainland visitor arrivals in Hong Kong is lesser than expected, while they are still active around the globe, has been increasingly turning to other overseas destination for holiday. In addition, their consumption becomes prudent because of strong Hong Kong dollars. Given the depreciation of Renminbi and other currencies against the Hong Kong dollar, tourism and retails sector will continue to face headwinds in 2016, putting pressure on Bonjour's average ticket size and total number of transactions.

Intensify cost control

In light of these uncertainties, the Group will focus on preserving and enhancing sales and profits while seeking opportunities for further growth during the difficult times ahead. We will also take proactive steps to minimize the impact of the adverse factors on our business, and in particular we will further intensify cost controls. In view of this, the Group's has relocated new office to Tsuen Wan and has been operated in November 2015 where integrates of warehouse, logistic facilities and operation at one stop which is beneficial to the overall operation, cost control and considerable gross profit.

In addition, the Group will continue to optimize the retail network by a careful network diversification plan on points of sales between traditional prime tourists shopping areas and popular local consumers shopping districts. Besides, Bonjour believes that we will start to benefit from the ease of rental pressure in Hong Kong market as store rental is expected to record declination in the next financial year. We expect to benefit over the short-to-medium term.

O2O to conquer market

In China, the Group will continue to adjust the strategies to adapt to this important market. We will take cautious prudent approach to ensure the development in China market, paving the way for smooth expansion in the future. We are confident that the improvement in our performance in China will maintain. Furthermore, the Group will continue to use different channels and leverage a variety of online partners to increase our online exposure, including enhancement of its O2O platform. We have been using WeChat account to provide up-to-date product news and information such as special promotional offers to our active customers. We will also launch new Bonjour membership program in early 2016. The Group believes that O2O platform will enlarge our customer base and expand its market share with relatively lower cost.

Understand the customers creating new opportunities

A good understanding of customers' preferences through close and frequent customer interaction is essential, as well as in-depth knowledge of market trends. Both factors provide the Group with an unparalleled position in anticipating customer needs. They also provide us with considerable strength in terms of both product development and the building of our own exclusive product portfolio. Therefore, the Group will continue to serve our customers and create a long-term relationships wholeheartedly. As a key player in the cosmetic and skin care retail market, we believe customers generally prefer to visit stores for their beauty and skin care purchases for the variety of products on offer, the tangibility of items on shelves, customer services and the free trials of the products. Bonjour has established brand and a strong presence in retail outlets, which has earned us strong customer trust in the quality of our products. Moreover, celebrity endorsements and in-store promotions will continue to be some of the useful ways for us to capture attention and improve sale volume.

Conclusion

Our Group believes ageing population in Hong Kong continues to encourage consumer investment in beauty and skincare products as older people seek to maintain their youth appearance and image. Consumers are also enticed by international and regional beauty trends, especially skincare and colour cosmetics trends from South Korea and Japan. Moreover, rising disposable incomes and the increased sophistication of customers will also see them more willing to explore various beauty and personal care brands and products, creating new opportunities for our Group. Regular new products innovations, development and offerings to serve the needs of emerging customer beauty regimes and novelty remains crucial to our success.

FINANCIAL REVIEW

Liquidity and Financial Resources

Liquidity and financial resources position remain healthy as the Group continues to adopt a prudent approach in managing its financial resources. As at 31 December 2015, the Group's cash and bank deposits amounted to HK\$103.5 million (2014: HK\$208.4 million). The Group's bank and other borrowings and finance lease payables as at 31 December 2015 were HK\$537.3 million (2014: HK\$415.9 million), out of which HK\$151.5 million (2014: HK\$161.9 million) were repayable within the next 12 months.

As at 31 December 2015, the Group's gearing ratio was 0.498 (2014: 0.720), and was calculated based on the Group's bank and other borrowings and finance lease payables, divided by total equity of HK\$1,078.0 million (2014: HK\$577.4 million). Total liabilities to Shareholders' funds was 82.5% (2014: 168.3%). The current ratio of the Group was 1.01 in 2015 (2014: 1.01).

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 decreased by HK\$183.4 million from HK\$252.4 million in 2014 to HK\$69.0 million in 2015. The profit before tax was HK\$438.3 million. The total amount of non-cash items amounting to HK\$360.3 million (mainly gain on disposal of subsidiaries and depreciation) was net off with a net increase in working capital of HK\$6.6 million.

Net cash outflow from investing activities decreased by HK\$633.0 million from HK\$713.0 million in 2014 to HK\$80.0 million in 2015. The decrease was largely due to decrease in purchase of property, plant and equipment.

Net cash outflow from financing activities was HK\$84.7 million in 2015 (2014: inflow of HK\$330.1 million). The cash outflow for the Year mainly represented dividends paid and repayment of bank borrowings, net-off with consideration received from issuance of shares.

Contingent Liabilities

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Guarantees given by banks for rental payment to landlords	4,687	8,226
Guarantees given for installment and purchase to a merchant bank and vendors respectively	200	13,660
	<u>4,887</u>	<u>21,886</u>

Foreign Exchange and Bank Borrowing Interest Rate Exposures

The Group has minimum exposure to foreign exchange fluctuations given that most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Macau Pataca, Renminbi, United States dollars and Japanese Yen. The Group monitors its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

As at 31 December 2015, the Group had short-term bank borrowings amounting to HK\$100.0 million (2014: HK\$100.8 million) and long-term bank borrowings amounting to HK\$292.5 million (2014: HK\$306.2 million).

Capital Structure

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2015 was 3,412,565,999 shares.

Repurchase of Shares

4,946,000 ordinary shares of the Company were repurchased, and 11,970,000 repurchased ordinary shares of the Company were cancelled during the Year, of which 7,024,000 cancelled shares were repurchased in 2014.

Charges on Group Assets

As at 31 December 2015, certain of the Group's assets with carrying amount of approximately HK\$691.7 million (2014: HK\$712.8 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions or Disposals of Subsidiaries and Associated Companies

On 20 August 2014, the Group has entered into an agreement with Town Health International Medical Group Limited ("Town Health"). Under the agreement, subject to certain conditions precedent, upon completion, the Group will become the strategic shareholders of Town Health and Town Health will own 100% of the Group's beauty and health salon businesses (the "Disposal"). Management of the Group expected that the consolidation of the Group's intensive experience in the salon operations with the medical expertise of Town Health will surely bring synergy effects to the original salon businesses to meet the incoming demand to medical treatment. As a shareholder of Town Health, the Group can enjoy the expected fast growing new salon business. For details of the Disposal, please refer to the Group's announcement dated 20 August 2014.

On 1 January 2015, the Group completed the Disposal (the "Completion"). Upon Completion, the Group does not hold any equity interest in the disposal companies, where these were ceased to be subsidiaries of the Group and its assets and liabilities and its profits and losses were no longer consolidated into the consolidated financial statements of the Group.

The Group recorded a gain of approximately HK\$398 million from the Disposal, being the difference between the consideration and (i) the estimated unaudited consolidated net asset value of the disposal companies recorded in the Group's accounts at Completion, and (ii) the relevant reserves.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies 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 2015, the Group had approximately 1,200 (2014: 1,700) full-time and part-time employees in Hong Kong, Macau and the PRC. For the Year, the total staff cost including directors' emoluments amounted to approximately HK\$281.3 million.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, the Company cancelled 11,970,000 ordinary shares of which 7,024,000 fully paid ordinary shares were repurchased in 2014, and a total of 4,946,000 fully paid ordinary shares of the Company at an aggregate consideration of approximately HK\$2,300,000 on The Stock Exchange of Hong Kong Limited during the year. Details of the repurchases of such ordinary shares were as follows:

	Number of ordinary shares repurchased	Per ordinary share		Aggregate purchase price (HK\$)
		Highest price paid (HK\$)	Lowest price paid (HK\$)	
March 2015	2,228,000	0.6300	0.6300	1,407,286
September 2015	2,718,000	0.3350	0.3200	897,025
Total	4,946,000			2,304,311

11,970,000 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 of the Company (the “Shareholder(s)”), with a view to benefit the Shareholders as a whole in enhancing the net assets and earnings per share of the Company.

On 22 May 2015, 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 22 May 2015.

In addition, 18,480,000 ordinary shares of the Company were issued and allotted at par value of HK\$0.01 each, as a result of the exercise of share options to share option holders of the Company.

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 HK0.10 cent (2014: HK2.10 cents) per ordinary share for the Year. Together with interim dividend of HK0.10 cent (2014: HK2.00 cents) per ordinary share was paid, the total dividend for the Year amounted to HK0.20 cent (2014: HK4.10 cents) per ordinary share.

Subject to the Shareholders’ approval at the forthcoming annual general meeting of the Company (the “AGM”), the said final dividend will be paid to the Shareholders, whose names appeared on the registers of members of the Company on 1 June 2016 and payable on or about 13 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2016 to 20 May 2016, 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 AGM of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016), for registration not later than 4:00 p.m. on 16 May 2016.

In addition, the register of members of the Company will also be closed from 30 May 2016 to 1 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, if approved at the forthcoming AGM of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016) for registration not later than 4:00 p.m. on 27 May 2016.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Year, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation 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 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. The Audit Committee has reviewed the effectiveness of both external audit and internal control and risk evaluation. The audited financial statements of the Group for the Year have been reviewed by the Audit Committee and audited by the independent auditor of the Company, RSM Hong Kong.

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, 18 March 2016

As at the date of this announcement, the executive directors of the Company are Dr. Ip Chun Heng, Wilson, Ms. Chung Pui Wan, Mr. Chen Jianwen, Mr. Yip Kwok Li and Mr. Wan Yim Keung, Daniel; and the independent non-executive directors of the Company are Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong.