Bonjour Holdings Limited
卓悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board" or "Director(s)") of Bonjour Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008, 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	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**660,844**	585,951
Cost of goods sold		**(353,288)**	(348,471)
Gross profit		**307,556**	237,480
Other income	*3*	**5,085**	4,539
Distribution costs		**(15,875)**	(13,879)
Administrative expenses		**(220,334)**	(204,873)
Other operating expenses		**(4,568)**	(670)
Profit from operations		**71,864**	22,597
Finance costs	*5*	**(228)**	(628)
Share of profits of an associate		**66**	223
Profit before tax		**71,702**	22,192
Income tax expense	*6*	**(12,899)**	(1,975)
Profit for the period, attributable to equity holders of the Company	*7*	**58,803**	20,217
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)	*8*		
– basic		**25.31**	8.86
– diluted		**24.59**	8.86
Dividends	*9*	**47,122**	3,775

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2008 (Unaudited) HK$'000	At 31 December 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**30,632**	32,362
Prepaid land lease payments		**1,547**	1,560
Goodwill		**1,890**	1,890
Investment in an associate		**3,181**	3,115
Rental and utility deposits		**23,377**	22,830
Deferred tax assets		**3,206**	4,775
		63,833	66,532
Current assets			
Inventories		**130,497**	119,788
Trade receivables	*10*	**17,007**	11,970
Rental and utility deposits		**20,213**	20,491
Prepayments, deposits and other receivables		**16,494**	15,427
Due from an associate		**2,015**	4,088
Current tax recoverable		**123**	81
Bank and cash balances		**92,533**	122,476
		278,882	294,321
Current liabilities			
Trade payables	*11*	**75,658**	98,544
Other payables, deposits received and accrued charges		**41,003**	42,604
Deferred revenue		**36,747**	35,753
Current portion of long-term bank borrowings	*12*	**181**	178
Trust receipt loans	*12*	**14,069**	18,740
Bank overdrafts	*12*	**14**	508
Finance lease payables		**170**	148
Current tax liabilities		**19,987**	8,708
		187,829	205,183
Net current assets		**91,053**	89,138
Total assets less current liabilities		**154,886**	155,670

	Note	At 30 June 2008 (Unaudited) HK$'000	At 31 December 2007 (Audited) HK$'000
Non-current liabilities			
Long-term bank borrowings	12	**241**	334
Finance lease payables		**209**	305
Long service payment liabilities		**354**	354
		804	993
NET ASSETS		**154,082**	154,677
Capital and reserves			
Share capital	13	**2,299**	2,340
Reserves		**151,783**	152,337
TOTAL EQUITY		**154,082**	154,677

Note:

1. Basis of Preparation and Significant Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Financial Reporting Interpretations Committee ("HK(IFRIC)") interpretations that are effective for the accounting periods beginning on or after 1 January 2008:

HK(IFRIC)-Int 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these standards and interpretations has no material effect on the results and the financial position or performance of the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 31 December 2008 and have not been early adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Vesting Conditions and Cancellation
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes

The Group is in the process of assessing the impact of these standards or interpretations and does not expect that there will be material impact on the Group's results of operations and financial position.

2. Turnover

Revenue recognized during the period are as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sale of merchandise	**563,952**	526,479
Service income of beauty treatment services	**87,670**	42,270
Recognition of service income attributable to expired prepaid packages	**1,945**	10,184
Commission income	**7,277**	7,018
	660,844	585,951

3. Other Income

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**461**	93
Rental income	**3,587**	3,424
Other income	**1,037**	1,022
	5,085	4,539

4. Segment Information

The Group's principal operation is organised into two business segments including (i) wholesaling and retailing of beauty and health-care products and (ii) operation of beauty and health salons.

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Wholesaling and retailing of beauty and health-care products *HK$'000*	**Operation of beauty and health salons** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment revenue				
Turnover				
External revenue	**571,135**	**89,709**	**–**	**660,844**
Inter segment revenue	**657**	**–**	**(657)**	**–**
	571,792	**89,709**	**(657)**	**660,844**
Segment results	**41,226**	**25,553**		**66,779**
Other income				**5,085**
Profit from operations				**71,864**
Finance costs				**(228)**
Share of profits of an associate				**66**
Profit before tax				**71,702**
Income tax expense				**(12,899)**
Profit for the period				**58,803**

The unaudited segment results for the six months ended 30 June 2007 are as follows:

	Wholesaling and retailing of beauty and health-care and products *HK$'000*	Operation of beauty and health salons *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue				
Turnover				
External revenue	533,497	52,454	–	585,951
Inter segment revenue	522	–	(522)	–
	534,019	52,454	(522)	585,951
Segment results	15,613	2,445		18,058
Other income				4,539
Profit from operations				22,597
Finance costs				(628)
Share of profits of an associate				223
Profit before tax				22,192
Income tax expense				(1,975)
Profit for the period				20,217

5. Finance Costs

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank loans and overdrafts	**219**	623
Finance lease charges	**9**	5
	228	628

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit subjected to Hong Kong profits tax for the period. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– Current year	**10,129**	–
– Over-provision in prior period	**–**	(334)
Overseas tax	**1,201**	906
Deferred tax	**1,569**	1,403
	12,899	1,975

7. Profit For The Period

Profit for the period is stated after charging the following:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of lease premium for land	**13**	13
Costs of inventories sold	**353,288**	348,471
Depreciation	**8,907**	10,137
Loss on disposal of property, plant and equipment	**89**	649
Net exchange losses	**4,480**	20

8. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited profit for the period attributable to equity holders of the Company of HK$58,803,000 (2007: HK$20,217,000), and the weighted average of 232,343,000 (2007: 228,199,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on the unaudited profit for the six months ended 30 June 2008 attributable to equity holders of the Company of HK$58,803,000. The weighted average number of ordinary shares used in the calculation is 232,343,000 ordinary shares in issue during the six months ended 30 June 2008, as used in the basic earnings per share calculation, and the weighted average of 6,797,000 (2007: 41,000) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all share options during the six months ended 30 June 2008.

9. Dividends

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim, proposed of HK18.0 cents (2007: HK1.6 cents) per ordinary share	**41,375**	3,775
Special, proposed of HK2.5 cents (2007: Nil) per ordinary share	**5,747**	–
	47,122	3,775

At a meeting held on 8 September 2008, the Board declared an interim dividend of HK18.0 cents and a special dividend of HK2.5 cents per ordinary share. These proposed dividends are not reflected as dividend payables in these condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

10. Trade Receivables

The Group's sales to wholesale customers are entered into on credit terms ranging from 60 to 90 days. The ageing analysis of trade receivables is as follows:

	At 30 June	At 31 December
	2008	2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 – 30 days	**13,094**	10,218
31 – 60 days	**3,454**	780
61 – 90 days	**159**	332
91 – 120 days	**300**	640
	17,007	11,970

11. Trade Payables

The ageing analysis of trade payables is as follows:

	At 30 June	At 31 December
	2008	2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 – 30 days	**26,616**	47,694
31 – 60 days	**29,833**	30,609
61 – 90 days	**14,429**	13,499
91 – 120 days	**4,780**	6,742
	75,658	98,544

12. Bank Borrowings and Overdrafts

	At 30 June 2008 (Unaudited) *HK$'000*	At 31 December 2007 (Audited) *HK$'000*
Non-current		
Long-term bank borrowings, secured	**241**	334
Current		
Long-term bank borrowings, secured	**181**	178
Trust receipt loans	**14,069**	18,740
Bank overdrafts	**14**	508
	14,264	19,426
	14,505	19,760

13. Share Capital

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2007 and at 30 June 2008	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2007 and at 1 January 2008	233,984,000	2,340
Shares issued on exercise of share options *(note a)*	3,214,000	32
Repurchase of shares *(note b)*	(7,336,000)	(73)
At 30 June 2008	229,862,000	2,299

Note:

(a) During the period ended 30 June 2008, 3,214,000 ordinary shares of HK$0.01 each were issued in relation to share options exercised by employees of the Group under the share option scheme of the Company.

(b) The Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	**Total number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid** *HK$'000*
January 2008	2,072,000	1.35	1.22	2,724
March 2008	2,668,000	1.85	1.62	4,679
April 2008	2,596,000	2.85	2.63	7,000
	7,336,000			14,403

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premiums on repurchase were charged against share premium.

14. Commitments

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At 30 June 2008 (Unaudited) ***HK$'000***	At 31 December 2007 (Audited) *HK$'000*
Not later than one year	**127,944**	123,494
Later than one year and not later than five years	**112,508**	90,359
Later than five years	**–**	3,132
	240,452	216,985

The Group had future minimum lease rental receivable under non-cancellable operating leases as follows:

	At 30 June 2008 (Unaudited) ***HK$'000***	At 31 December 2007 (Audited) *HK$'000*
Not later than one year	**5,741**	5,408
Later than one year and not later than five years	**–**	1,299
	5,741	6,707

(b) The Company did not have any significant commitments as at 30 June 2008 and 31 December 2007.

15. Comparative Figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

Group Review

The Group's turnover for the six months ended 30 June 2008 amounted to HK$660.8 million (2007: HK$586.0 million), representing an increase of 12.8% compared to the same period last year. Profit attributable to equity holders of the Company increased by 191.1% to HK$58.8 million (2007: HK$20.2 million) for the period under review. The drastic increase in profit attributable to equity holders of the Company was due to the continuous improvement in the retail business coupling with a surge in the beauty service business since the second half of 2007.

The Group's gross profit margin rose from 40.5% in the first half of 2007 to 46.5% in the second half of 2008. The fast growing beauty service business, which has a much higher gross profit margin, was the main driver pushing the margin higher.

On the cost side, the rental cost to turnover ratio decreased from 13.4% to 11.5% during the last twelve months period. While other costs, like staff and advertising, constituted roughly the same proportions to turnover as last year, the lower rental cost to turnover percentage was an important factor that helped to improve the overall profitability of the Group.

Retail and Wholesale Division

For the six months period ended 30 June 2008, the retail & wholesale division recorded a turnover of HK$571.1 million, representing a growth of 7.0% (2007: HK$533.5 million). This turnover growth was largely derived from the same stores sale which could be related to increased operating efficiency, better product presentation, and a general improvement in the economic environment. Actually, the turnover growth could have been higher if it was not negatively affected by the disastrous events occurred in Mainland China and the unusual prolonged rainy season from May to June.

The snowstorm and the earthquake did have some effect on the number of tourists coming from Mainland China. Fortunately, the effect was only temporary and the number of tourists has already resumed to normal. In fact, Chinese tourists' spending still constituted a major support to the turnover growth. Locally, as the economy was in a healthy state and the unemployment rate continued to decline, the recent turmoil in the financial market seemed to have no impact on local spending.

The segment profit for the six months period ended 30 June 2008 for the retail and wholesale division was HK$41.2 million (2007: HK$15.6 million). Apart from the turnover growth, the increase in gross margin and the lower rental cost ratio added extra momentum to push the profit higher. The inflation rate was getting higher during the period, but it did not have a significant impact on the cost side, especially when a large portion of the staff costs was on commission basis.

The retail gross margin ratio continued to increase steadily, increasing from 37.5% in mid 2007 to 38.9% in June 2008. A lower exchange rate of the Hong Kong dollar has caused some of the import prices to increase. For most of the cases, we could pass on the price increase to consumers. Therefore, the impact on the gross margin was minimal.

Three shops were closed during the period because all of them had low sales performance in the past. However, two new shops were opened in Tsuen Wan and Causeway Bay. As a result, the number of retail outlets decreased from 31 to 30 during the period. In spite of the decrease in the number of retail outlets, the Group was still able to achieve a healthy turnover growth. For those shops of which the leases were renewed during the period, the rental cost increased on average by 8.3%. As a consequence, the rental cost to turnover ratio for the retail and wholesale division was reduced from 13.0% in the first half of 2007 to 11.4% in the first half of 2008.

E-Shop Review

Milk Powder Project

Following the development of the Baby Bonjour Section, online product categories were expanded and added with baby food items and other daily items. The food items gained a fast and positive response from the market. The milk powder sales had recorded a steady growth so far. The Group decided to set up the "Baby Bonjour" showroom attached to the shop in Central. A "Baby Zone" was established in each shop to provide a broaden product mix of the Group. The Group considered that the addition of new product categories would attract more customers and drive towards a higher recognition of Bonjour's brand name in the local market.

Point Pay Card Project

The E-Shop took part in various discussions with potential partners on distribution of Point Pay Card via local parties or websites. The discussion with Ctrip.com for selling cards to Ctrip.com as a gift for redemption by Ctrip members was proved to be a feasible channel. Ctrip.com currently carrying a broad base of members, with over 15 million looking for cosmetics items for gift redemption. Both parties had a view that redemption for Bonjour's Point Pay Card would be popular. Discussions had been underway subject to further announcement.

Beauty Services Division Review

The beauty services division hit a record segment profit of HK$25.6 million for the first half of 2008 (2007: HK$2.4 million). The increase was tremendous even compared to the second half of 2007 which recorded a profit of HK$13.1 million. The sharp increase in the segment profit was basically a result of the strong surge in turnover (service redemption) and sales of packages. Since the increase in turnover did not lead to the same proportional increases in operating and advertising costs, the profitability was highly improved. The ratios of the staff costs and rental costs to turnover have fallen gradually during the period.

The beauty services division's turnover (service redemption) increased 70.9% to HK$89.7 million (2007: HK$52.5 million). The Group managed to sustain a high growth rate since the second half of 2007 by launching an aggressive direct sales campaign to recruit new members and running a new incentive program to promote the operating staff service level. Since the turnover growth in the past six months was much higher than that of the retail business, the proportion of the turnover of the beauty services division increased to 13.6% of the Group's turnover (2007: 9.0%).

One new beauty salon was opened during the period and brought the total number of beauty services outlets to 10. Though the new salon was in its early stage, it has already recruited enough new members to generate income to cover all the operating expenses plus the amortization of the initial investment. This has given us great confidence to expand our network in other major residential districts as planned.

The "Top Comfort" foot massage centres and the nail bar service were operating satisfactorily as in 2007. In order to seek opportunities for expansion in Mainland China, a nail bar service centre was opened in Shanghai in the fourth quarter of 2007. Though the scale of operation was limited and accounted for only a very small portion of the total revenue, the turnover growth was exciting during the past six months.

Market competition was still severe. Yet, we deliberately kept our advertising budget at a low level compared to other market players, as the effectiveness of advertising to draw new customers was diminishing during the past several years. We focused more resources in running aggressive direct marketing programs which were found to be much more cost effective.

Outlook

Retail and Wholesale Division

The retail and wholesale division was running smoothly in the first half of 2008, despite the fact that the turnover growth in the first six months was affected by several unprecedented events. As these events are expected not to happen again in the near future, the Group foresees that the division will perform even better in the second half.

The financial crisis in the United States and escalating oil prices have caused significant changes in the state of economy all over the world. More people have become less certain about the future growth of the economy. Nevertheless, the effect on the overall consumer confidence level in Hong Kong and Mainland China seems to be limited, given the fact that the financial turmoil has already happened for more than nine months. As the number of visitors from Mainland China is still growing and Hong Kong's economy is stable and healthy, year 2008 is expected to be the second consecutive year that the division can achieve a high organic growth rate.

The retail and wholesale division was able to achieve a gross profit margin of 38.9% in the first half of 2008. However, comparing to the other competitors' ratio, there is still plenty of room for gross profit margin growth. The Group will continue to use different strategies to push gross profit margin upwards.

The inflation rate is getting higher. However, the ratio of retail operating costs to turnover is maintained at about 30.8% (2007: 31.4%). Since the economic growth is under the shadow of the financial turmoil, the rental market (except in some special areas) is basically rational. For leases expired in the second half of 2008, the Group managed to renew at reasonable rates or relocated to nearby locations with lower rental. As such, the rental cost to turnover ratio is expected to fall considerably in 2008. Other major operating expenses including staff costs and advertising are almost the same as in 2007 and are expected not to change drastically in the second half.

While the turnover and gross margin ratio are expected to rise and the operating cost is expected to fall, the profitability for the retail and wholesale division is surely entering into a fast growing period.

E-Shop

Milk Powder Project – Baby.bonjourhk.com

Following the Group's latest direction on setting up "Baby Bonjour Section", a brand new baby.bonjourhk.com website is being developed and will be launched in September 2008. Delivery to Mainland China will be officially online and customers in Mainland China can purchase milk powder and pay via the online payment gateway. "Alipay" gateway is scheduled to be launched for receiving payments from customers in Mainland China. Considering the popularity of Japanese milk powder products, the Group expects that baby.bonjourhk.com would absorb stable sales from the Mainland China market. Apart from the aforesaid changes, the website will add some interactive games or functions that customers can participate in or generate information. It is expected that the content enhancement can attract a higher browsing rate and thus more online sales.

Point Pay Card Project

Some joint promotional activities with Ctrip.com (NASDAQ : CTRP) and PC Online (stock code: 543) will be online in the second half of the year, including online coupons, product testing, lucky draw, online survey, banner ads, etc. The Group anticipates a contract to be signed with Ctrip.com in the third quarter for selling Point Pay Cards. Ctrip.com will offer the cards as a gift for redemption by their members. It is expected that members' redemption of Point Pay Cards would bring in some amount of sales. The Group will continue to identify potential partners in Mainland China for distributing the Point Pay Cards. The Group sees that the synergy of cooperation with local partners would accelerate the pace of Bonjour's brand name landing in Mainland China. Taking advantages of partners' operation facilities, the Group will be able to generate revenue without any initial input of fund.

Beauty Services Division

The performance of the beauty services division in the first half is exciting. As the customers of beauty services business are mostly local, and there is no sign of radical changes in the local economy, the future development of the beauty services would be very optimistic. All lines of services are running smoothly as planned, including the new medical beauty centre set up last year. The Group is confident that the momentum forward can be maintained in the second half.

Diversification is still our basic strategy, but we would focus on service areas that are related to our core "beauty" business. That is why we can maintain our competitiveness by offering comprehensive services to our customers. Furthermore, the division's sales performance would be largely enhanced as cross selling between different lines of services within the Group is not difficult, given the fact that they are serving the same group of target customers.

As the performance of the new salon opened in the first half is promising, we will continue to stay on our expansion plan to broaden our client base and increase our market share. A second new salon is scheduled to be opened in the third quarter this year. At the same time, we are planning to open one to two more beauty salons by the end of this year. After the opening of all these new salons, the total number of the Group's beauty salons in Hong Kong will become 11 to 12, and the market is still far from being saturated. The rental cost of the new salons will be mostly less than that of the existing salons since they are located in residential areas rather than major commercial and shopping districts.

Besides the local market, we have started to expand our network into Mainland China. A nail bar service centre was opened in Shanghai in the fourth quarter of 2007. Since the operation of the nail bar service is less complicated and easier to control, we are planning to open several nail bar service centres next year. Once the operation is running smoothly and the economic conditions remain positive, a much bigger expansion plan will be kicked off in 2010.

Financial Review

Liquidity and Financial Resources

As at 30 June 2008, the Group's cash and bank deposits amounted to HK$92.5 million (31 December 2007: HK$122.5 million). The Group's bank borrowings as at 30 June 2008 were HK$0.4 million (31 December 2007: HK$1.0 million), out of which, HK$0.2 million (31 December 2007: HK$0.7 million) were repayable within 12 months.

The Group's gearing ratio as at 30 June 2008 was 0.003 (31 December 2007: 0.007), and was calculated based on the Group's bank borrowings and shareholders' fund of HK$154.1 million (31 December 2007: HK$154.7 million). The current ratio of the Group as at 30 June 2008 was 1.48 (31 December 2007: 1.43).

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$43.5 million (2007: HK$1.4 million). The profit before tax was HK$71.7 million. The total amount of non-cash items amounting to HK$10.6 million (mainly depreciation charges on property, plant and equipment) and was net off with a net increase in working capital of HK$38.5 million.

Net cash outflow from investing activities for the period was HK$6.9 million (2007: HK$6.3 million), which mainly represented capital expenditure on beauty salon opened in the period.

Net cash outflow from financing activities for the period was HK$66.1 million (2007: inflow of HK$8.8 million), which mainly represented consideration paid for repurchase of shares and dividends paid in the period.

Contingent Liabilities

As at 30 June 2008, the Group had contingent liabilities totalling HK$1.9 million (31 December 2007: HK$1.9 million) which represented guarantee given by bank for rental payment to landlord.

Foreign Exchange Exposure

The Group has little exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollar, Renminbi and United States dollar. As at 30 June 2008, 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

During the six months period ended 30 June 2008, 7,336,000 fully paid ordinary shares of the Company were repurchased and cancelled, and 3,214,000 ordinary shares were issued to the share option holders of the Company. The total number of issued and fully paid shares of the Company as at 30 June 2008 was 229,862,000.

Banking Facilities

As at 30 June 2008, the Group's banking facilities totalling approximately HK$65.8 million (31 December 2007: HK$71.0 million) were secured by corporate guarantee of the Company and a first legal charge over leasehold land and buildings held by the Group.

Charge on Group Assets

As at 30 June 2008, certain of the Group's assets with a net book value of approximately HK$2.0 million (31 December 2007: HK$2.0 million) were pledged to secure banking facilities granted to the Group.

Significant Investments

During the six months period ended 30 June 2008, 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 six months period ended 30 June 2008.

Human Resources

As at 30 June 2008, the Group had approximately 970 (2007: 820) full-time and part-time employees in both Hong Kong and Macau. Staff costs for the period under review were HK$103.8 million (2007: HK$90.8 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 individuals' performances. 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 HK18.0 cents (2007: HK1.6 cents) and a special dividend of HK2.5 cents (2007: Nil) per ordinary share of the Company for the six months ended 30 June 2008 to be payable to shareholders whose names appear on the registers of members of the Company on 26 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from 25 September 2008 to 26 September 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividends and special dividends, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars 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 24 September 2008.

CHANGE IN BOARD LOT SIZE

The board lot size of the shares for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been changed from 4,000 Shares to 1,000 Shares with effect from 30 May 2008. The Board believes that the reduced board lot size will facilitate trading and improve the liquidity of the shares and enable the Company to attract more investors and broaden its shareholders base. The change in board lot size does not affect any of shareholders' rights.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months period ended 30 June 2008, the Company repurchased a total of 7,336,000 fully-paid ordinary shares of the Company at an aggregate consideration of approximately HK$14.4 million on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	**Total number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
January 2008	2,072,000	1.35	1.22	2,724
March 2008	2,668,000	1.85	1.62	4,679
April 2008	2,596,000	2.85	2.63	7,000
	7,336,000			14,403

All of the 7,336,000 repurchased ordinary shares of the Company were cancelled during the six months period ended 30 June 2008 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 shareholders as a whole in enhancing the net assets and earnings per share 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 six months period ended 30 June 2008.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions (the "Code Provision") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period, except for the deviation from the Code Provision A.2.1.

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 period ended 30 June 2008, Dr. Ip Chun Heng, Wilson, the chairman and executive Director, has been appointed as the chief executive officer of the Company since the Board considered that Dr. Ip has in-depth knowledge and experience in the retail sales and cosmetic product market and is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangement.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (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 period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. All audit committee members possess appropriate industry and financial experience to advise on the compliance of the financial reporting, internal controls and risk evaluation. At present, audit committee members comprise Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong, being the three independent non-executive Directors. 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 of internal controls and risk evaluation. The unaudited financial statements of the Company for the period has 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, 8 September 2008

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