Bonjour Holdings Limited
卓悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Director(s)**") of Bonjour Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, "**Bonjour**" or the "**Group**") for the year ended 31 December 2019 (the "**Year**") with comparative figures for the previous year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Turnover	3	**1,458,828**	1,793,457
Cost of goods sold		**(968,385)**	(1,157,692)
Gross profit		**490,443**	635,765
Other income	4	**22,380**	20,639
Distribution costs		**(44,657)**	(57,414)
Administrative expenses		**(537,513)**	(612,158)
Other operating expenses		**(2,102)**	(3,045)
Loss from operations		**(71,449)**	(16,213)
Finance costs	6	**(60,139)**	(16,860)
Loss before tax		**(131,588)**	(33,073)
Income tax credit/(expense)	7	**967**	(6,540)
Loss for the year	8	**(130,621)**	(39,613)
Loss for the year attributed			
Owners of the Company		**(129,648)**	(39,613)
Non-controlling interests		**(973)**	–
		(130,621)	(39,613)
Loss per share	10		
Basic		**HK(3.8) cents**	HK(1.2) cents
Diluted		**HK(3.8) cents**	HK(1.2) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Loss for the year		**(130,621)**	(39,613)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement gains on long service payment liabilities		**369**	199
Fair value changes of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(5,374)**	(4,448)
		(5,005)	(4,249)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,071**	2,333
		1,071	2,333
Other comprehensive income for the year, net of tax		**(3,934)**	(1,916)
Total comprehensive income for the year		**(134,555)**	(41,529)
Total comprehensive income in the year attributed to:			
Owners of the Company		**(133,582)**	(41,529)
Non-controlling interests		**(973)**	–
		(134,555)	(41,529)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**671,019**	706,071
Right-of-use assets		**406,260**	–
Goodwill		**5,520**	–
Other intangible assets		**1,236**	–
Rental and utility deposits		**34,482**	40,899
Financial assets at FVTOCI	*11*	**77,838**	83,212
Deferred tax assets		**1,289**	1,289
		1,197,644	831,471
Current assets			
Inventories		**187,968**	235,697
Trade receivables	*12*	**16,318**	27,723
Rental and utility deposits		**24,692**	35,772
Prepayments, deposits and other receivables		**14,103**	21,950
Amounts due from related companies		**58**	42
Current tax assets		**–**	2,972
Bank and cash balances		**98,855**	237,532
		341,994	561,688
Current liabilities			
Trade payables	*13*	**83,131**	125,812
Other payables, deposits received and accrued charges		**88,622**	88,298
Lease liabilities		**167,912**	–
Amounts due to related companies		**23,553**	3,346
Bank borrowings		**184,174**	265,012
Trade finance loans		**39,838**	26,239
Finance lease payables		**–**	885
Current tax liabilities		**7,885**	13,456
		595,115	523,048
Net current (liabilities)/assets		**(253,121)**	38,640
Total assets less current liabilities		**944,523**	870,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2019

	Note	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Other payables and deposits received		**321**	9,724
Lease liabilities		**273,273**	–
Loan from a related company		**5,000**	125,000
Bank borrowings		**223,833**	128,748
Deferred tax liabilities		**4,131**	4,245
Long service payment liabilities		**2,539**	2,709
		509,097	270,426
NET ASSETS		**435,426**	599,685
Capital and reserves			
Share capital		**34,126**	34,126
Reserves		**402,172**	565,559
Equity attributable to owners of the Company		**436,298**	599,685
Non-controlling interests		**(872)**	–
TOTAL EQUITY		**435,426**	599,685

Notes:

1. BASIS OF PREPARATION

These 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a net loss of HK$130,621,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK$253,121,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

   (i) Up to the date of the consolidated financial statements authorised for issue, the Group's bankers agreed to renew bank borrowings amounting to approximately HK$24,174,000 currently included in current liabilities at 31 December 2019.

   (ii) Undrawn banking facilities amounting to approximately HK$179,000,000.

(b) The Group is able to generate sufficient operating cash flows to meet its current and future obligations.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 8.25%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 37 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	473,030
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,977)
– leases of low-value assets	(101)
– lease committed before 31 December 2018, but cancelled subsequently	(4,815)
– contracts signed before 31 December 2018, but leases commenced after 1 January 2019	(22,156)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	187,151
	628,132
Less: total future interest expenses	(90,540)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	537,592
Add: finance lease liabilities recognised as at 31 December 2018	885
Lease liabilities recognised as at 1 January 2019	538,477
Of which are:	
Current lease liabilities	206,025
Non-current lease liabilities	332,452
	538,477

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 has been applied since the commencement date of the leases using relevant incremental borrowing rate at the date of initial application of HKFRS 16.

Lease liabilities at 1 January 2019 were recognised based on present value of the remaining lease payments, discounted using incremental borrowing rate at 1 January 2019.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Carrying amount as at 31 December 2018 *HK$'000*	Effects of adoption of HKFRS 16 Re-classification *HK$'000*	Re-cognition of leases *HK$'000*	Carrying amount as at 1 January 2019 *HK$'000*
Assets					
Right-of-use assets		–	(11,190)	519,124	507,934
Rental and utility deposits	*(i)*	76,671	–	(11,337)	65,334
Liabilities					
Lease liabilities		–	885	537,592	538,477
Finance lease payables	*(ii)*	885	(885)	–	–
Other payables, deposits received and accrued charges	*(iii)*	98,022	(11,190)	–	86,832
Equities					
Retained profits		599,685	–	(29,805)	569,880

Note:

(i) Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value as at 1 January 2019 amounting to HK$11,337,000 were included in right-of-use assets.

(ii) The Group reclassified the obligation under finance leases of HK$885,000 to lease liabilities as current liabilities at 1 January 2019.

(iii) Provision of effective rent were previously recognised under HKAS 17 as at 31 December 2018. The carrying amount of the provision for effective rent under other payables, deposits received and accrued charges as at 1 January 2019 was adjusted to right-of-use assets at transition.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019					2018
	Amounts reported under HKFRS 16	**Deduct: HKFRS 16 imputed interest income on rental deposits**	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:						
Loss from operation	**(71,449)**	**(4,720)**	**228,494**	**(264,462)**	**(112,137)**	(16,213)
Finance costs	**(60,139)**	**–**	**44,132**	**–**	**(16,007)**	(16,860)
Loss before taxation	**(131,588)**	**(4,720)**	**272,626**	**(264,462)**	**(128,144)**	(33,073)
Loss for the year	**(130,621)**	**(4,720)**	**272,626**	**(264,462)**	**(127,177)**	(39,613)

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from/(used in) operations	236,070	(264,462)	(28,392)	(12,143)
Interest element of lease rentals paid	(44,207)	44,132	(75)	(90)
Net cash generated from/(used in) operating activities	173,907	(220,330)	(46,423)	(28,935)
Capital element of lease rentals paid	(221,215)	220,330	(885)	(1,062)
Net cash (used in)/generated from financing activities	(313,818)	220,330	(93,488)	28,135

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 2019. These new and revised HKFRSs include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contract with customers within the scope of HKFRS 15		
Sales of merchandise	**1,458,828**	1,793,457
Timing of revenue recognition		
Products transferred at a point in time	**1,458,828**	1,793,457

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Discounts received	**3,952**	3,748
Dividend income	**463**	–
Gain on disposal of property, plant and equipment	**–**	1,650
Interest income on bank deposits	**1,109**	650
Imputed interest income on rental deposits	**4,720**	–
Rental income	**5,403**	9,973
Display income	**3,319**	2,977
Sundry income	**3,414**	1,641
	22,380	20,639

5. SEGMENT INFORMATION

The Group has carried on a single business, 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 executive director.

Geographical information:

The Group's revenue 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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,279,299**	1,599,755	**670,556**	705,004
Macau	**173,431**	184,395	**283**	712
PRC except Hong Kong and Macau	**6,098**	9,307	**180**	355
Consolidated total	**1,458,828**	1,793,457	**671,019**	706,071

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 2019 and 2018.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on lease liabilities	**44,207**	–
Interest expense on bank borrowings	**13,555**	10,253
Interest expense on loan from a related company	**2,377**	6,517
Finance leases charges	**–**	90
	60,139	16,860

7. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as following:

	2019 *HK$'000*	2018 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**642**	1,108
(Over)/under-provision in prior years	**(20)**	4,955
	622	6,063
Current tax – Overseas		
Provision for the year	**623**	683
Over-provision in prior years	**(1,820)**	(1,700)
	(1,197)	(1,017)
Deferred tax	**(392)**	1,494
	(967)	6,540

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 December 2019.

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

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 (credit)/expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Loss before tax	**(131,588)**	(33,073)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(21,712)**	(5,457)
Tax effect of income that is not taxable	**(1,826)**	(915)
Tax effect of expenses that are not deductible	**2,746**	3,037
Tax effect of utilisation of tax losses not previously recognised	**–**	(1,045)
Tax effect of unrecognised tax losses and temporary differences	**22,118**	7,073
(Over)/under-provision in prior years	**(1,840)**	4,545
Tax effect of tax concession	**(185)**	(185)
Effect of different tax rates of subsidiaries	**(268)**	(513)
Income tax (credit)/expense	**(967)**	6,540

8. LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,180**	1,178
Cost of inventories sold *(Note)*	**968,385**	1,157,692
(Reversal of allowance for)/allowance for slow-moving inventories *(Note)*	**(139)**	234
Depreciation of property, plant and equipment	**39,049**	43,420
Depreciation of right-of-use assets	**228,494**	–
Amortisation of other intangible assets	**7**	–
Write off of property, plant and equipment	**307**	666
Gain on disposal of property, plant and equipment	**–**	(1,650)
Net exchange losses	**1,584**	2,707
Operating lease charges for land and buildings (included contingent rentals of HK$Nil (2018: HK$262,000))	**–**	277,644
Staff costs, including directors' emoluments		
Wages and salaries	**195,289**	214,929
Retirement benefits scheme contributions	**8,762**	9,332
(Reversal of provision for)/provision for unutilised annual leave	**(2,912)**	587
Provision for long service payments	**689**	392
	201,828	225,240

Note: Cost of inventories sold includes reversal of allowance for slow-moving inventories of HK$139,000 (2018: allowance of HK$234,000) which is included in the amount disclosed separately above.

9. DIVIDENDS

The directors do not recommend the payment of interim and final dividends.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(129,648)**	(39,613)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,412,566,000**	3,412,566,000

The effects of potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

11. FINANCIAL ASSETS AT FVTOCI

	2019	2018
	HK$'000	*HK$'000*
Listed investments, at fair value		
Equity securities, analysed as non-current assets	**77,838**	83,212

As at 31 December 2019 and 2018, as there is no quoted market price in an active market, the fair value of listed securities was determined by the directors with reference to the valuation carried out by an external independent valuer by using Index Return Method which is based on index return on certain market comparables (level 3 fair value measurements). The liquidity discount rate used is 30%.

For the year ended 31 December 2019, the Group recognised a fair value change of HK$5,374,000 (2018: HK$4,448,000) related to listed securities classified as financial assets at FVTOCI held at the end of the Year in other comprehensive income.

Financial assets at FVTOCI are denominated in Hong Kong dollars ("HKD").

12. TRADE RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
Wholesales customers		
0–30 days	**696**	1,323
31–60 days	**784**	937
61–90 days	**363**	1,633
91–120 days	**111**	87
Over 120 days	**318**	93
	2,272	4,073
Trade receivables under retail sales		
0–30 days	**6,513**	20,242
31–60 days	**2,536**	2,411
61–90 days	**902**	952
91–120 days	**2,741**	25
Over 120 days	**1,354**	20
	14,046	23,650
Total	**16,318**	27,723

(b) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	HKD	Macau Pataca ("MOP")	Renminbi ("RMB")	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2019	**14,165**	**2,108**	**45**	**16,318**
2018	25,826	1,845	52	27,723

(c) As of 31 December 2019, trade receivables of approximately HK$3,600,000 (2018: HK$6,472,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**2,191**	6,320
3 to 6 months	**1,409**	152
	3,600	6,472

13. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**45,457**	64,411
31–60 days	**22,969**	39,880
61–90 days	**7,658**	12,789
91–120 days	**972**	5,085
Over 120 days	**6,075**	3,647
	83,131	125,812

(b) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	HKD	Japanese Yen ("JPY")	MOP	RMB	United States Dollars ("USD")	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019	**80,758**	**4**	**1,927**	**399**	**43**	**83,131**
2018	123,487	537	1,100	645	43	125,812

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019 which has included an emphasis of matter paragraph for material uncertainty in relation to going concern, but without modification of opinion.

Basis for Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$130,621,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK$253,121,000. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Retail sales in Hong Kong plunged in 2019 amid the local social incidents and escalated US-Mainland trade tension. According to the Census and Statistics Department, the value of total retail sales in 2019 was provisionally estimated at $431.2 billion, decreased by 11.1% while the volume of total retail sales also decreased by 12.3% compared over 2018. A government spokesman attributed the continuous sharp fall of the retail sales to the local social incidents which disrupted tourism- and consumption-related activities and further dampened consumption sentiment.

Being closely related to the local retail market, the decline of tourist arrival deteriorated the sales performance. According to the Hong Kong Tourism Board, although visitor arrivals in the first half of 2019 increased by 13.9%, it decreased by 39.1% in the second half of 2019. The full-year provisional visitor arrivals in 2019 amounted to 55.9 million, a decrease of 14.2% year on year. All source markets with the mainland and short-haul markets dropped significantly of 14.2% and 18.7% respectively. Overnight visitors also declined by 18.8%. The retails sales used to hinge on tourism that the decline in visitors dragged the retail sector.

Also, the key shopping districts, including Causeway Bay, Tsim Sha Tsui and Mong Kok, were highly impacted because of the social incidents in the second half of 2019. Retailers had no choice but to close their shops earlier or amidst unrest. Some even planned to surrender their stores and reallocate their resources to other markets.

BUSINESS REVIEW

Retail Sales

The local retail market suffered from a significant decline in 2019, against the weak local economy causing by the escalated US-Mainland trade tensions and local social incidents which further soured shoppers' appetite for spending. The Group's total retail sales for the Year decreased by 18.7% compared to the last corresponding year (2018: decrease 7.3%).

In the first half of the year, the Group noticed the changing habits among the tourists, especially the Mainland tourists, which caused the actual spending on consumer goods to decrease significantly. Also, with the e-commerce law taking effect in China, the Daigou (surrogate shopping) activities were reduced that brought a side effect on the Group. During the second half of the year, the tourist arrivals decreased significantly due to Hong Kong's ongoing political and social unrest, the retail sales growth was further hampered.

To optimize shop efficiency, the Group delisted a number of non-performing SKUs from its product offerings. The focus was switched on brands and products which are faster-mover and/or with higher-margin. The store layouts were also improved for displaying best-selling products and trendy items to attract the customers which ultimately created an exceptional shopping experience.

E-Commerce

As e-commerce has been developing rapidly which has changed shoppers' consumption patterns in recent years, more retailers established their online purchasing platforms. The Group kept pace with today's market changes and adapted the multi-channel sales strategy.

Bonjour met the growing online shopping demand of the customers. Apart from our online shopping platform, we also have stationed our flagship stores at different cross-border platforms, such as Tmall Global, Kaola.com and JD.com.

In recent years there has been a blurring in the way we shop for beauty and cosmetics. Social media has added benefit and complexity in equal measure, with users sharing their experiences, reviews and advices about products with thousands of others at the click of a button. However, this can be viewed as a great exposure if the reviews are positive and users' experiences sharings are "liked". The Group grabbed the opportunity and has engaged itself with more customers at different social platforms, including Facebook, Weibo and WeChat. The hottest product information and latest promotion could be delivered to our targeted customers easier and faster. Also, long-term relationships with customers were developed by regular online sales activities and interactions.

Besides, under the agreement that the Group entered into with Fliggy, a travel service platform of Alibaba Group Holding Limited before, we offered our products at the "Fliggy Buy" shopping channel, enabling travelers to shop online and pick up their purchased goods while they were travelling in Hong Kong, thus providing the Mainland shoppers an elevated shopping experience. Such buy online, pick up in-store (BOPIS) service was very appealing to the customers because of the convenience.

Rental and Store Network

The retail leasing market faced headwind and the leasing activities dropped. According to Jones Lang LaSalle Incorporated (JLL), the rents of high street shops and prime shopping malls dropped 18.4% and 5.6% respectively this year. The Group promptly reacted to market changes and adjusted our store network by closing some stores with weaker performance and finding shops at other community districts. Also, the Group considered short-term leases for street-level shops which would be more flexible during the economic instability and negotiated for reasonable rental levels.

As at 31 December 2019, the Group was operating 37 stores in Hong Kong, Macau and Guangzhou (2018: 39).

Brand Management

The Group distributed a great variety of internationally renowned makeup, skincare and healthcare products to accommodate the different customers' need. Amongst these products, the Group has successfully established a recognizable image with a series of our exclusive hero brands, such as Suisse Reborn, Yumei, Dr. Bauer, WOWWOW and Swiss 3. We not only invited some celebrities in the city as brand ambassadors including Miss Elanne Kwong for WOWWOW and Joey Wong for Yumei, but we also made use of social media platforms to drive brand awareness and promote our products like Facebook live, Wechat moments and Weibo sharings.

Building goodwill with customers was also a key success of the Group by managing our marketing channels well. Bonjour VIP programme effectively accommodates the current over 580,000 members who could get the latest news and promotions instantly. Bonjour's official website and various social media channels were managed up-to-date with the newest products information and beauty trends. With our consolidated brand strategy, the Group built customer loyalty and delivered an excellent brand experience to the customers.

OUTLOOK

Hong Kong consumer market is still surrounded by lots of uncertainties and remains weak. Although the US-Mainland trade tension was temporarily eased, the local retail sales and tourist arrivals are still affected by the local social incidents which is expected to maintain on a downward trend. According to the preliminary forecast by PricewaterhouseCoopers, Hong Kong retail sales are expected to decline by approximately 2.5% to HKD420 billion in 2020. Moreover, with the outbreak of novel coronavirus, it is believed that the local retail market would be severely adversely affected amid coronavirus fears. Facing the current downturn, the Group has implemented lots of measure to better control its operational costs. These measures included but not limited to rearranging our stores opening hours from two shifts to one shift and requiring all staff to take at least five days of no pay leaves in order to optimize staff costs. Leveraging on our good long term relationships with our landlords, we have also negotiated and agreed upon rental recession for a few months. The Board will continue to implement cost control policies until the general economies improve and monitor closely the market changes and timely adjust our strategies whenever necessary.

Challenging retail market amid macroeconomic headwinds

The retail sector has been under pressure since last year and it is expected to fall into winter. Facing the slowing economy and changing consumer market, the Group will adopt a customer-centric strategy cautiously to achieve profitability and operational excellence. The Group will strive for a balance between online and offline sales channels.

Given that bricks and mortar stores continue to perform in the beauty and cosmetics market, as consumers desire to try products before they make a purchase, store layouts and displays have to be spacious. We believe that giving customers a try or test on products before making a purchase is a key strength for us. The Group will continue to improve our services and store layouts to create an enjoyable experience for customers and continue to make use of Point of Purchase (POP) in our store space to maximize sales conversion rate.

Understanding that some customers cannot visit our physical stores in Hong Kong due to the outbreak of coronavirus, the Group has trained our staff to become online beauty anchors. Our beauty anchors with an aim to become KOLs ("Key Opinion Leader") have started to webcast at live-streaming platforms to promote our products to customers since late March. This will be one of our key strategies in the future.

Another initiative is to promote the use of IT in business applications. We have enhanced our ERP system in the year of 2020. We expect that such IT initiative can improve the efficiency and effectiveness of business decision making. More importantly, it can streamline the operational processes and increase the Group's value creation efficiency.

Rental and Store Network

According to Knight Frank, the rental costs for street shops in prime shopping areas are estimated to decline by 15 percent or more in 2020. Also, short-term leases for street-level shops in Hong Kong could go mainstream because of the ongoing local social incidents.

In such a case, the Group will consider reducing underperforming shops in the same district when contracts expire to increase profitability. Also, the Group will negotiate for reasonable rental with the landlords and will not preclude short-term leases for street-level shops to maintain our competitiveness.

The Group will continue to review market changes and optimize our store network.

Timely Product Portfolio Adjustment

Customer-centric is always the key success of the Group. With our strong global procurement team, we will keep providing products that meet the needs of our customers. During the outbreak of coronavirus, our strong global procurement team has sourced a huge amount of masks to provide to the public. Our dedication in Corporate Society Responsibility ("CSR") and Environmental, Social, Governance ("ESG") was recognized as one of the "Sparkle Hong Kong" listed companies in Hong Kong which was chosen a group of professionals. With the emerging technologies and extensive mobile connectivity, the Group will be able to understand consumers better by manipulating the big data. The product mix will be adjusted simultaneously by seeking products with growing demands and eliminating underperforming products. The Group will remain sensitive to consumer habits change and market trends to stay competitive.

Stay ahead to embrace e-commerce

Not to mention the fact that e-commerce is still growing nowadays, the Group has adopted numerous e-commerce measures. With the channels at different popular platforms, namely Tmall Global and Kaola.com, etc, the Group will continue to improve our online sales channels and strengthen the interaction with customers. Also, mobile commerce is getting more common and stores are going cashless. The Group will keep an eye on the latest digital shopping trends and experiment ways for quicker and easier check-out to facilitate our customers.

However, as we mentioned, there has been a blurring of the online-offline world in the retail market. We understand that online shopping certainly offers convenience for shoppers, but cosmetics are products that people like to try before buying. Bricks and mortar stores are undoubtedly important, but so as the online counterparts. In such circumstances, Bonjour will continue to strive for a balance by integrating customers between online and offline. On this, we will continue to tap into the vast user base of Fliggy Buy to integrate our online and offline sales channels and will continue to stay ahead by embracing different e-commerce measures.

Conclusion

Cosmetics and beauty retail stores are likely to remain lackluster, due to a drop in mainland tourist arrivals. The retail market in Hong Kong, susceptible to fluctuations in mainland visitor arrivals, suffered a provisional 14.2% fall in the year of 2019 to 55.9 million. It is likely to be a challenging year for the retail market in 2020 as there is no sign of reverse of a slump in local retail sales and so many uncertainties remain. With the outbreak of coronavirus, the outlook for retail sales will depend on the situation critically. To cope with the challenges ahead, the Group continuously reviews and adjusts its existing strategies and improves its cost structure, as well as undertakes new IT initiatives, including the enhancement of IT infrastructure and the development of e-commerce, aiming to secure a firm footing and maintaining its competitiveness in a fast-changing market.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to adopt a prudent approach in managing its financial resources. As at 31 December 2019, the Group's cash and bank deposits amounted to HK$98.9 million (2018: HK$237.5 million). The Group's bank borrowings, loan from a related company and lease liabilities as at 31 December 2019 were HK$854.2 million (2018: HK$519.6 million), out of which HK$352.1 million (2018: HK$265.9 million) were repayable within the next 12 months.

The current ratio of the Group as at 31 December 2019 was 0.57 (2018: 1.07). Gearing ratio was 0.947 (2018: 0.867), which was calculated based on the Group's bank and other borrowings, divided by total equity of HK$435.4 million (2018: HK$599.7 million). Total liabilities to shareholders' funds was 253.6% (2018: 132.3%). The Group services its debt primarily through the cash earned from its operation.

Cash Flow

Net cash inflow from operating activities was HK$173.9 million in 2019 (2018: outflow of HK$28.9 million). The loss before tax was HK$131.6 million (2018: HK$33.1 million). The total amount of non-cash items amounting to HK$263.2 million (mainly depreciation expense) and there was a net increase in working capital of HK$45.4 million (2018: net increase HK$38.3 million).

Net cash outflow from investing activities was HK$0.3 million in 2019 (2018: HK$14.3 million) which mainly represented purchase of property, plant and equipment and acquisition of subsidiaries, set off by repayment of rental and utility deposits.

Net cash outflow from financing activities was HK$313.8 million in 2019 (2018: inflow of HK$28.1 million) which mainly represented decrease in bank and other borrowings and repayment of lease liabilities under the new HKFRS 16.

Contingent Liabilities

	2019	2018
	HK$'000	*HK$'000*
Guarantees given for purchase to vendors	**–**	100
	–	100

Foreign Exchange and Bank Borrowing Interest Rate Exposures

The Group has limited exposure to foreign exchange fluctuations given that most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Macau Pataca and RMB with some denominated in USD 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 2019, none of the Group's bank borrowings was dominated in foreign currency.

As at 31 December 2019, the Group had short-term bank borrowings amounting to HK$160.0 million (2018: HK$200.0 million) and long-term bank borrowings amounting to HK$248.0 million (2018: HK$193.8 million). The bank borrowings were arranged at both fixed interest rate and floating interest rate basis at short-term inter-bank offer rates.

Capital Structure

During the Year, the Company did not issue and allot any new shares.

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2019 was 3,412,565,999 shares.

Charges on Group Assets

As at 31 December 2019, certain of the Group's assets with carrying amount of approximately HK$622.0 million (2018: HK$637.9 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

Significant Securities Investments

The investment objective of the Group is to achieve earnings and enhance the corporate value to the shareholders of the Company. The strategy of the Group is to identify and invest in both listed and unlisted investments and other related financial assets with potential of growth within their industries. The Group has no specific industry focus on potential investment.

As at 31 December 2019, the Group had financial assets at FVTOCI (31 December 2018: available-for-sale financial assets) through equity investments in Town Health International Medical Group Limited, a company listed on the Stock Exchange (Stock Code: 3886) ("Town Health") with a total market value of HK$77.8 million, accounting for 5.1% of the Group's total assets (31 December 2018: HK$83.2 million, accounting for 6.0% of total assets). Throughout the Year, the Group has been holding only one single financial asset and the change on the fair value of such financial asset amounted to a loss of HK$5.4 million for the Year (2018: loss of HK$4.4 million). The market value of the financial assets will be affected by the current status of being suspended in trading and the financial performance of Town Health. To mitigate relevant risks, the Group will monitor the trends of macro economy to optimise its investment strategies in response to market conditions. When considering future investment, the Group will assess the results of operations and compliance of the investees to prevent receiving no future economic benefits.

Details of Future Plans for Material Investments or Capital Assets

The Directors currently do not have any future plans for material investments or capital assets. The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Events after the Year

After the outbreak of novel coronavirus disease 2019, though a series of precautionary and control measures have been and continued to be implemented across the globe, such pandemic is still growing exponentially. Based on the Directors' preliminary business review for the two months ended 29 February 2020, our retail stores operation had been significantly affected as compared with the corresponding period in 2019. The Group will continue to pay close attention to the development of and the disruption to our business activities caused by the COVID-19 and will evaluate its impact on the financial position, cash flows and operating results of the Group.

Human Resources

The Group adheres to a strong belief that employees are always the most valuable assets of a corporation. 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 purchase discounts and suitable training programs for our employees.

As at 31 December 2019, the Group had approximately 700 (2018: 850) full-time and part-time employees in Hong Kong, Macau and the PRC. The total staff cost including Directors' emoluments for the Year amounted to approximately HK$201.8 million (2018: HK$225.2 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 directors do not recommend the payment of interim and final dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive, during the period no transfer of shares will be registered. The holders of shares whose names appear on the register of members of the Company on Friday, 22 May 2020 will be entitled to attend and vote at the AGM. In order to determine the entitlement to attend and vote at the forthcoming AGM, 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 Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 15 May 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Year, the Company 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 (the "**Listing Rules**"), except for the deviation from the code provision A.2.1 which is explained in the following relevant paragraph.

Code Provision A.2.1

The code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Please refer to the paragraph under "Chairman and Chief Executive Officer" below.

The Board considered that Dr. Ip Chun Heng, Wilson 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.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 17 June 2003 with written terms of reference no less exacting terms than the CG Code. 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 risk management and internal control systems. The audited consolidated 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.

The Audit Committee acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of external audit, risk management and internal control systems of the Group, the Company's annual report and accounts, interim report and to provide advice and comments to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year. The Audit Committee meets regularly with the management and the external auditor to discuss the risk management and internal control systems, financial reporting system, the accounting principles and practices adopted by the Group. During the Year, four meetings were held to review, among others, the audited consolidated financial statements of the Group for the year ended 31 December

2018 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 with the recommendations to the Board for approval; and has reviewed the accounting principles and policies adopted by the Group and its systems of risk management and internal control. The attendance records for the Audit Committee meetings are set out below:

Members of the Audit Committee	**Members' Attendance**
Mr. Wong Chi Wai	4/4
Dr. Chow Ho Ming	4/4
Mr. Lo Hang Fong	4/4

By order of the Board
Bonjour Holdings Limited
Ip Chun Heng, Wilson
Chairman and executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors 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 are Mr. Wong Chi Wai, Dr. Chow Ho Ming and Mr. Lo Hang Fong.