BONJOUR

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 2017

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 2017 (the "**Year**") with comparative figures for the previous year as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Turnover	3	**1,934,893**	1,994,902
Cost of goods sold		**(1,254,665)**	(1,234,124)
Gross profit		**680,228**	760,778
Other income	4	**43,541**	52,865
Distribution costs		**(50,419)**	(53,312)
Administrative expenses		**(714,269)**	(832,840)
Other operating expenses		**(228)**	(5,359)
Core operating loss		**(41,147)**	(77,868)
Loss on disposal of available-for-sale financial assets		**(6,086)**	–
Impairment loss on available-for-sale financial assets	11	**(140,293)**	–
Loss from operations		**(187,526)**	(77,868)
Finance costs	6	**(14,769)**	(11,311)
Loss before tax		**(202,295)**	(89,179)
Income tax expense	7	**(47)**	(2,449)
Loss for the year	8	**(202,342)**	(91,628)
Attributable to owners of the Company		**(202,342)**	(91,628)
Loss per share	10		
Basic		**HK(5.9) cents**	HK(2.7) cents
Diluted		**HK(5.9) cents**	HK(2.7) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year	**(202,342)**	(91,628)
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Remeasurement gains on long service payment liabilities	**870**	592
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(3,576)**	1,267
Fair value changes of available-for-sale financial assets	**(103,783)**	(127,865)
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale financial assets	**(3,600)**	–
Reclassification adjustment to profit or loss on impairment of available-for-sale financial assets	**100,077**	–
	(10,882)	(126,598)
Other comprehensive income for the year, net of tax	**(10,012)**	(126,006)
Total comprehensive income for the year	**(212,354)**	(217,634)
Attributable to owners of the Company	**(212,354)**	(217,634)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**733,588**	771,481
Goodwill		**–**	–
Rental and utility deposits		**43,819**	52,831
Available-for-sale financial assets	*11*	**87,660**	231,659
Deferred tax assets		**1,289**	1,289
		866,356	1,057,260
Current assets			
Inventories		**189,841**	225,133
Trade receivables	*12*	**40,936**	38,478
Rental and utility deposits		**43,092**	66,489
Prepayments, deposits and other receivables		**19,310**	22,255
Amounts due from related companies		**3,342**	886
Available-for-sale financial assets	*11*	**–**	225,000
Current tax assets		**3,089**	3,547
Bank and cash balances		**250,076**	33,517
		549,686	615,305
Current liabilities			
Trade payables	*13*	**150,967**	148,750
Other payables, deposits received and accrued charges		**77,945**	97,502
Amounts due to related companies		**2,771**	316
Bank borrowings		**155,941**	157,688
Trade finance loans		**28,422**	35,259
Finance lease payables		**1,062**	1,853
Current tax liabilities		**8,459**	8,679
		425,567	450,047
Net current assets		**124,119**	165,258
Total assets less current liabilities		**990,475**	1,222,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Other payables and deposits received		**11,639**	16,335
Loan from a related company		**138,000**	138,000
Bank borrowings		**193,247**	205,431
Finance lease payables		**885**	2,778
Deferred tax liabilities		**2,751**	2,802
Long service payment liabilities		**2,739**	3,604
		349,261	368,950
NET ASSETS		**641,214**	853,568
Capital and reserves			
Share capital		**34,126**	34,126
Reserves		**607,088**	819,442
TOTAL EQUITY		**641,214**	853,568

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 of Hong Kong Limited 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.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

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 the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) *Classification and measurement*

The Group expects to irrevocably designate those listed equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income.

(b) *Impairment*

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would have no significant impact as compared with that recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue from the sale of merchandise is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the sale of merchandise.

For contracts with customers in which the sale of merchandise is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) *Sales with a right of return*

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's retail shops leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its retail shops amounted to HK$449,840,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

3. TURNOVER

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

	2017	2016
	HK$'000	*HK$'000*
Sales of merchandise	**1,934,893**	1,993,983
Commission income	**–**	919
	1,934,893	1,994,902

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Dividend income from listed equity investments	**519**	3,580
Interest income on bank deposits	**89**	221
Licence income	**3,729**	4,972
Rental income	**29,554**	33,751
Sundry income	**9,650**	10,341
	43,541	52,865

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 operating decision maker.

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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,720,423**	1,783,633	**731,570**	768,406
Macau	**202,369**	197,816	**1,069**	1,524
PRC except Hong Kong and Macau	**12,101**	13,453	**949**	1,551
Consolidated total	**1,934,893**	1,994,902	**733,588**	771,481

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 2017 and 2016.

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**7,649**	6,954
Interest expense on loan from a related company	**6,900**	4,140
Finance leases charges	**220**	217
	14,769	11,311

7. INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**178**	179
(Over)/under-provision in prior years	**(612)**	1,432
	(434)	1,611
Current tax – Overseas		
Provision for the year	**1,460**	1,420
Over-provision in prior years	**(928)**	(1,849)
	532	(429)
Deferred tax	**(51)**	1,267
	47	2,449

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017.

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

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(202,295)**	(89,179)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(33,379)**	(14,715)
Tax effect of income that is not taxable	**(207)**	(567)
Tax effect of expenses that are not deductible	**27,194**	2,607
Tax effect of utilisation of tax losses not previously recognised	**–**	(209)
Tax effect of unrecognised tax losses and temporary differences	**7,766**	16,482
Over-provision in prior years	**(1,540)**	(417)
Effect of different tax rates of subsidiaries	**213**	(732)
Income tax expense	**47**	2,449

8. LOSS FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration		
Current	**1,153**	1,070
Over-provision in prior year	**–**	(2)
	1,153	1,068
Cost of inventories sold *(Note)*	**1,254,665**	1,234,124
(Reversal of allowance for)/allowance for slow-moving inventories *(Note)*	**(10)**	3
Depreciation	**44,742**	45,513
Write off of property, plant and equipment	**466**	172
Gain on disposal of property, plant and equipment	**(264)**	–
Loss on disposal of available-for-sale financial assets	**6,086**	–
Impairment loss on available-for-sale financial assets	**140,293**	–
Net exchange (gains)/losses	**(819)**	5,186
Operating lease charges for land and buildings (included contingent rentals of HK$507,000 (2016: HK$1,401,000))	**368,793**	454,512
Staff costs, including directors' emoluments		
Wages and salaries	**220,183**	233,452
Retirement benefits scheme contributions	**9,961**	10,361
Provision for/(reversal of provision for) unutilised annual leave	**501**	(2,220)
Provision for/(reversal of provision for) long service payments	**185**	(328)
	230,830	241,265

Note: Cost of inventories sold includes reversal of allowance for slow-moving inventories of HK$10,000 (2016: allowance of HK$3,000) which is included in the amount disclosed separately above.

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Nil of interim dividend paid (2016: HK0.10 cent per ordinary share)	**–**	3,413

The directors do not recommend the payment of a final dividend.

10. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic and diluted loss per share	**(202,342)**	(91,628)

	2017	2016
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 2017 and 2016.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Listed investments, at fair value		
Equity securities	**87,660**	456,659
Analysed as:		
Current assets	**–**	225,000
Non-current assets	**87,660**	231,659
	87,660	456,659

As at 31 December 2017, 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%.

As at 31 December 2016, the fair value of listed securities was based on current bid prices.

For the year ended 31 December 2017, the Group recognised a fair value loss of HK$140,293,000 (2016: Nil) related to listed securities classified as available-for sale financial assets held at the end of the reporting period. As the decline in fair value over the cost is considered to be significant, it is recognised as impairment loss in profit or loss.

Available-for-sale financial assets are denominated in Hong Kong dollars.

12. TRADE RECEIVABLES

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

	2017	2016
	HK$'000	*HK$'000*
Wholesales debtors		
0–30 days	**2,559**	2,684
31–60 days	**1,647**	1,537
61–90 days	**721**	558
91–120 days	**618**	493
Over 120 days	**1,653**	3,539
	7,198	8,811
Trade receivables under credit card sales		
0–30 days	**24,652**	15,192
31–60 days	**2,488**	3,089
61–90 days	**2,826**	3,746
91–120 days	**2,487**	2,814
Over 120 days	**1,285**	4,826
	33,738	29,667
Total	**40,936**	38,478

13. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**72,612**	79,155
31–60 days	**52,641**	51,356
61–90 days	**15,191**	10,811
91–120 days	**3,772**	1,795
Over 120 days	**6,751**	5,633
	150,967	148,750

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

For 2017 as a whole, the value of total retail sales was provisionally estimated at HK$446.1 billion, increasing by 2.2% in value over 2016, according to the Census and Statistics Department. A government spokesman pointed out that for 2017 as a whole, retail sales resumed modest growth after years of slump since 2014, indicating that there has been a clear sign of recovery in the industry. In 2017, the retail industry in Hong Kong has reached the bottom. The short-term prospect for the retail sales in Hong Kong remains positive.

According to the Tourism Development Board, there were 58,472,000 inbound tourists in 2017, an increase of 3.2% year-on-year, of which 27,884,000 were overnight visitors, an increase of 5% year-on-year, representing the recovery of tourism industry in Hong Kong. The rebound in numbers of tourist arrival in Hong Kong and the stronger consumer sentiment brought a positive effect on the retail market in Hong Kong.

According to "Hong Kong Monthly Property Market Report" from Knight Frank, due to lacking of expansion and new entry plans from retailers, the retail leasing activity level remains low and rents of prime street shops are expected to drop 5-10% over this year. This means that although the market is recovering, retailers will not open stores in a large scale as before.

BUSINESS REVIEW

Retail Sales

During the Year, the Group's turnover amounted to HK$1,934.9 million, representing a decrease of 3% from HK$1,994.9 million of last corresponding year. The Group's gross profit margin dropped from 38.1% to 35.2%. Loss for the Year amounted to HK$202.3 million, which included a one-time impairment loss on available-for-sale financial assets of HK$140.3 million and loss on disposal of available-for-sale financial assets amounting HK$6.1 million. Excluding such one-time losses, the loss for the Year was HK$55.9 million (2016: HK$91.6 million), which loss has greatly reduced from last corresponding year.

As retail sector picked up, the Group's sales has also rebounded in the second half of the Year. The Group's turnover was a year-on-year decrease of 9.3% in the first half of 2017, while a year-on-year increase of 3.4% in the second half of the Year, representing the Group's operating conditions and profitability of the Group has continued to improve in the second half of the Year.

On the other hand, as driven by the luxury goods market and benefiting from weaker of United States dollar ("**USD**") against major currencies, tourists spending power has increased. With strong demand from the high quality beauty products, the Group continued to enrich its product portfolio, including well-known international products as well as our house brands and exclusive products. Also, we reorganized our sales network and strengthened our publicity and promotion in order to enhance our competitiveness and fulfill diversified customers' tastes and needs.

E-Commerce

According to the "Outlook for e-commerce in Hong Kong" report jointly researched by KPMG and GS1 Hong Kong, with the increase in popularity in online shopping festivals, and promotions, most of the shoppers in both mainland China and Hong Kong are motivated to purchase goods and services online. Nearly three in five interviewees plan to do more shopping online in the coming 12 months. In response, the Group has strengthened its e-commerce sales channels, including official online shopping website and our long established shopping platforms at Tmall and WeChat. The Group has also cooperated with China-post Cross-border eCommerce Limited and launched the online cross-border shopping platform – www.bonjouro2o.com. On the other hand, according to statistics portal statista, the total value of mobile payment transactions in Hong Kong have reached US$529 million in 2017. In response to this trend, the Group has introduced Apple Pay and Android Pay, and has extended to Alipay HK and WeChat Pay in order to cater to the increasing needs of mobile payment and facilitate consumer consumption.

Customer consumption pattern has changed nowadays and consumers routinely use social media such as Facebook, WeChat, YouTube and Instagram to follow their favorite brands and make purchases. Also, they are more confident in the opinions of Key Opinion Leaders (KOL) and believe that product remains being done by internet celebrities are more pertinent and credible. As a result, the Group focused on digital marketing and regularly launched online promotion activities and special online shopping festivals such as "Double Eleven", "Black Friday" etc. to enhance brand awareness and product branding. Due to the change of the marketing and branding channel, the Group's cost of digital media promotion in 2017 accounted for 60.0% of the total promotion cost, which recorded an increase of 11.8 percentage point from 48.2% in 2016.

During the Year, the Group continued to communicate with target consumers through various popular media platforms to enhance brand image and increase online exposure, and thus to expand sales channels and increase sales. In 2017, the Group's online retail sales in the Hong Kong and Chinese markets increased by 13.1% from 2016.

Rental and Store Network

At present, retailers no longer blindly grapple with expensive rental shops. According to Cushman & Wakefield, rents for shops in the core areas of Hong Kong recorded a year-on-year decrease, and shop rentals in the four major districts fell by 3% to 12%, including Causeway Bay (-3.3%), Tsim Sha Tsui (-3.4%) and Mong Kok (-5.8%), the Central District fell more than 10% (-12.6%). The Group observed the downward adjustment of rents in the second half of 2017 and closely monitored and analyze market changes, so as to ready ourselves to increase bargaining power and seize the opportunity to negotiate rents anytime.

As at 31 December 2017, the Group was operating 38 stores in Hong Kong, Macau and Guangzhou (2016: 42). The rental cost of the Group for the first half of 2017 was HK$203.2 million and for the whole Year was HK$368.8 million. Due to the proper selection of shops location and thus the satisfactory sales of each branch, the retail store rent-to-turnover ratio has improved 1.8 percentage point from 20.5% in 2016 to 18.7% in 2017.

Brand Management

The Group's brand strategy has been well implemented and it maintained a leading position in the beauty and cosmetics industry. Currently, the Group is the distributor of 180 internationally renowned makeup, skincare and healthcare products, including Suisse Reborn, Dr. Bauer, Yumei, WOWWOW, Dr. Schafter and Auslin. To fulfill the ever-changing needs of customers and maintain market competitiveness, the Group continuously evaluated and reorganized its product portfolio. In order to enhance brand awareness, the Group continued to invite hot stars in the city as spokespersons for our private brands, including Ms. Ada Choi (Suisse Reborn), Ms. Myolie Wu (Dr. Bauer), Miss Elanne Kwong (WOWWOW), Miss Joey Wong and Miss Tracy Chu (Yumei), Mr. Louis Cheung (Dr. Schafter) and Mr. Mak Cheung Ching (Auslin). With the positive image of our spokepersons, the products and our brand has been promoted successfully.

The Group also actively promoted our brand "Bonjour" through different media and channels. We launched member loyalty cards program and offered numbers of privileged member discounts to enhance the customers' shopping experience and loyalty. Since the program commencement of the program in May 2016, the number of members has exceeded 300,000 as of now.

Talents Training and Social Responsibility

As at 31 December 2017, there are approximately 910 staff in the Group and the staff cost-to-turnover ratio was 11.9% (2016: 12.1%).

The Group understood the importance of talents, valued every staff and emphasized the communication with the front-line staff in order to deepen the understanding of their needs. The Group also stressed the employee development. To enhance the service standard, Bonjour has a comprehensive training program that provides training courses and workshops regularly to enable our staff to learn about the latest products and beauty information in the market so as to improve their professional knowledge and skills. Our staff could therefore be more confident in facing the customers' enquiries, gaining their trust and support, ensuring quality service provision, and enhancing the overall operating capability.

OUTLOOK

Signs of recovery in the retail industry

In 2017, the improved economic environment led to the significant increase of the citizen's desire for consumption which boomed the retail market. According to PricewaterhouseCoopers, retail sector in Hong Kong could enjoy a 4% to 6% growth in 2018, which is equivalent to approximately HK$465 billion to HK$480 billion, with a positive outlook for the next five years. According to government statistics, the value of sales of medicines and cosmetics in December 2017 rose by 11.4% year-on-year and is expected to continue to rise this year.

In view of the improvement in the economic situation, the tourism in Hong Kong has gradually improved. The growth in visitor arrivals to Hong Kong will continue to be the main driver of the recovery of the retail industry. At the same time, the market generally believes that exchange rate changes will push down consumer prices in Hong Kong which Renminbi ("**RMB**") will appreciate. It will make mainland tourists spending cheaper in Hong Kong and promote local retail consumption. The Group will continue to seize the opportunity and formulate suitable market strategies, enhance product diversification, enhance service quality, and introduce more promotions to stimulate consumer spending.

Rental and Store Network

The Group will seize the opportunity and carefully analyze the rental trend. We will review the current store distribution and adjust the location of the store network by reducing over-concentration of stores in certain areas and exploring different areas with reasonable rent. To take care of customers in different regions and expand our business, core areas or residential shopping districts with stable customer base will also be considered, including some densely populated areas or shopping malls in the New Territories. Also, benefited from the rental downward adjustment in the past few years, the total rental expenditure in 2018 is expected to further decline. The business environment will be further improved.

Timely Product Portfolio Adjustment

Local consumption is expected to grow steadily. The Group will continue to optimize its brand management strategy. We will also continue to evaluate and reorganize the product mix by selecting quality and suitable brands according to the market preferences and demand. During the Year, the number of Mainland tourist arrivals to Hong Kong grew satisfactorily. Mainland consumption is undergoing an upgrade and transformation stage. We believe that high-consumption products will dominate the market in this round of retail recovery.

In response to the market changes, the Group will remove obsolete products, pay close attention to inventory and improve inventory turnover days, as well as review pricing strategies timely to maintain market competitiveness. The Group will enhance and expand our own branded products, and procure the latest best-selling trendy products around the world. Also, we will intensify the training, optimize the product procurement team and staff selling technique to provide best services to our customers.

Grasp the opportunities of E-Commerce development

The Group endeavored to cater to changes in consumer shopping mindsets and continued to actively optimize and promote e-commerce platforms. According to the analysis of the National Bureau of Statistics of the People's Republic of China, the growth momentum of e-commerce comes from the increasing variety of products sold on the internet and the increase in the penetration rate of smart phones. With the promotion of major e-commerce platforms, online shopping will become more popular in China's rural areas and outside first-tier cities. Statistics show that the nation's online retail sales amounted to RMB7.18 trillion, an increase of 32.2% over the previous year.

In response to this, the Group will continue to maintain cooperation with different well-known social media platforms such as VIP.COM (Vipshop), and JD.COM (Jingong Mall) as well as maintain close business relationship with Tmall and WeChat to enhance brand awareness and expand customer base. The Group supports a variety of payment methods, including Apple Pay, Android Pay, Alipay Hong Kong and WeChat pay. The Group will endeavor to strengthen and upgrade various applications and launch discounts on various platforms in different ways to ensure consumer-oriented, enhance communication and interaction with customers through online and offline services, and better understand their preferences and needs. Therefore, the Group could provide the most suitable and fashionable products, and better customer service experience.

Conclusion

The retail market has been gradually recovered. Mainland tourists rebounded to support consumption. Together with the rental correction, we expect the Group's losses have bottomed and future result performance will steadily rise. This can be proved by the fact that the Group has already recorded an operating profit in the forth quarter of 2017. Bonjour will seize the opportunity to maintain the advantages of market leadership and continue to formulate appropriate sales strategies to quickly respond to the changes in the market and the changing consumer demand, as well as to strengthen our service quality. Moveover, the Group will also focus on developing and enhancing online shopping platforms and organizing branch network expansion plans. Also, we will explore mergers and acquisition opportunities in order to expand business development and strive for excellence as being the pioneer in the industry.

FINANCIAL REVIEW

Liquidity and Financial Resources

Liquidity and financial resources position remain healthy as the Group continues to adopt a prudent approach in managing its financial resources. As at 31 December 2017, the Group's cash and bank deposits amounted to HK$250.1 million (2016: HK$33.5 million). The Group's bank borrowings, loan from a related company and finance lease payables as at 31 December 2017 were HK$489.1 million (2016: HK$505.7 million), out of which HK$157.0 million (2016: HK$159.5 million) were repayable within the next 12 months.

The current ratio of the Group as at 31 December 2017 was 1.29 (2016: 1.37). The Board believes that the Group has maintained sufficient working capital for its operation and future expansion.

As at 31 December 2017, the Group's gearing ratio was 0.763 (2016: 0.592), and was calculated based on the Group's bank and other borrowings and finance lease payables, divided by total equity of HK$641.2 million (2016: HK$853.6 million). Total liabilities to shareholders' funds was 120.8% (2016: 96.0%). The Group services its debt primarily through the cash earned from its operation.

Cash Flow

Net cash inflow from operating activities was HK$34.7 million in 2017 (2016: outflow of HK$40.4 million). The loss before tax was HK$202.3 million. The total amount of non-cash items amounting to HK$185.4 million (mainly impairment loss on available-for-sale financial assets and depreciation expense) and there was a net decrease in working capital of HK$46.0 million.

Net cash inflow from investing activities was HK$209.0 million in 2017 (2016: HK$2.7 million). The inflow was largely due to proceeds from disposal of available-for-sale financial assets.

Net cash outflow from financing activities decreased by HK$2.6 million from HK$27.3 million in 2016 to HK$24.7 million in 2017. The cash outflow for the Year mainly represented repayment of bank borrowings.

Contingent Liabilities

	2017	2016
	HK$'000	*HK$'000*
Guarantees given by banks for rental payment to landlords	**2,850**	4,687
Guarantees given for purchase to vendors	**100**	100
	2,950	4,787

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 a few 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 2017, the Group had short-term bank borrowings amounting to HK$130.0 million (2016: HK$120.0 million) and long-term bank borrowings amounting to HK$219.2 million (2016: HK$243.1 million). The bank borrowings were arranged at both fixed interest rate and floating interest rate.

Capital Structure

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

The total number of issued and fully paid ordinary shares of the Company as at 31 December 2017 was 3,412,565,999 shares.

Charges on Group Assets

As at 31 December 2017, certain of the Group's assets with carrying amount of approximately HK$653.7 million (2016: HK$669.6 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions or Disposals of Subsidiaries and Associated Companies

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

Significant Securities Investments

As at 31 December 2017, the Group had an available-for-sale financial assets with a total market value of HK$87.7 million, accounting for 6.2% of the Group's total assets (2016: HK$456.7 million, accounting for 27.3% 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$144.0 million for the Year (2016: HK$127.9 million).

During the Year, the Group disposed about half of the available-for-sale financial assets, recording a net loss for approximately HK$6.1 million, including the related cost upon disposal of such available-for-sale financial assets, there was HK$3.6 million being reclassified from investment revaluation reserve to profit and loss.

Such disposal has strengthened the Group's cash position and protect the Group from the current slow retail recovery headwinds. It also strengthened its flexibility when seeking future expansion opportunities.

Events after the Year

There were no significant events after the Year up to the date of this announcement.

Human Resources

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are generally structured by reference to market terms and individual qualifications. In addition, share options and discretionary bonuses are also granted to eligible employees based on individual's performance. The Group also provides mandatory provident fund schemes, medical insurance schemes, staff purchases discounts and training programs for our employees.

As at 31 December 2017, the Group had approximately 910 (2016: 990) full-time and part-time employees in Hong Kong, Macau and the People's Republic of China. For the Year, the total staff cost including Directors' emoluments amounted to approximately HK$230.8 million (2016: HK$241.3 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 Board does not recommend the payment of any dividend for the Year. In 2016, the Group declared an interim dividend of HK0.10 cent per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, 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, 25 May 2018 will be entitled to attend and vote at the annual general meeting of the Company (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 Thursday, 17 May 2018.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. Throughout the Year, the Group has complied with the code provisions prescribed in the Corporate Governance Code (the "**CG Code**") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviations from the code provisions A.2.1 and A.6.7 which are explained in the following relevant paragraphs.

Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the Year, Dr. Ip Chun Heng, Wilson is both the chairman and chief executive officer of the Company.

The Board considered that Dr. Ip 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.

Code Provisions A.6.7

According to the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Mr. Lo Hang Fong, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 26 May 2017 due to his other business engagement.

MODEL CODE

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

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.

APPRECIATION

Finally, on behalf of the Directors, I would like to express my gratitude to our management and staff for their hard work and dedication throughout the Year.

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

Hong Kong, 23 March 2018

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.