BONJOUR

Bonjour Holdings Limited
卓悅控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Director(s)**") of Bonjour Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, "**Bonjour**" or the "**Group**") for the six months ended 30 June 2018 (the "**Period**" or "**review period**") (the "**Interim Results**"), together with comparative figures for the corresponding period in 2017. The Interim Results have not been audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	2	**932,332**	916,810
Cost of goods sold		**(592,327)**	(581,354)
Gross profit		**340,005**	335,456
Other income	4	**12,221**	23,050
Distribution costs		**(26,885)**	(22,318)
Administrative expenses		**(308,627)**	(380,305)
Other operating expenses		**(1,536)**	(89)
Loss on disposal of available-for-sale financial assets		**–**	(6,086)
Profit/(loss) from operations		**15,178**	(50,292)
Finance costs	5	**(7,760)**	(7,412)
Profit/(loss) before tax		**7,418**	(57,704)
Income tax expense	6	**–**	(46)
Profit/(loss) for the period	7	**7,418**	(57,750)
Attributable to owners of the Company		**7,418**	(57,750)
Earnings/(loss) per share	8		
Basic		**HK0.2 cent**	HK(1.7) cents
Diluted		**HK0.2 cent**	HK(1.7) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**7,418**	(57,750)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on the translation of foreign operations	**966**	(1,838)
Investment revaluation reserve reclassified to profit or loss upon disposal of available-for-sale financial assets	**–**	(3,600)
Fair value change on available-for-sale financial assets	**–**	(105,636)
Other comprehensive income for the period, net of tax	**966**	(111,074)
Total comprehensive income for the period	**8,384**	(168,824)
Attributable to owners of the Company	**8,384**	(168,824)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2018 (Unaudited)** *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**714,476**	733,588
Rental and utility deposits		**47,451**	43,819
Financial assets at fair value through other comprehensive income ("**FVTOCI**")		**87,660**	–
Available-for-sale financial assets		**–**	87,660
Deferred tax assets		**1,289**	1,289
		850,876	866,356
Current assets			
Inventories		**253,785**	189,841
Trade receivables	*10*	**25,321**	40,936
Rental and utility deposits		**28,186**	43,092
Prepayments, deposits and other receivables		**26,212**	19,310
Amount due from a related company		**1,150**	3,342
Current tax assets		**3,089**	3,089
Bank and cash balances		**226,989**	250,076
		564,732	549,686
Current liabilities			
Trade payables	*11*	**134,397**	150,967
Other payables, deposits received and accrued charges		**65,280**	77,945
Amounts due to related companies		**1,106**	2,771
Bank borrowings	*12*	**206,192**	155,941
Trade finance loans	*12*	**29,333**	28,422
Finance lease payables		**1,062**	1,062
Current tax liabilities		**8,459**	8,459
		445,829	425,567
Net current assets		**118,903**	124,119
Total assets less current liabilities		**969,779**	990,475

	Note	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Non-current liabilities			
Other payables and deposits received		**9,450**	11,639
Loan from a related company		**125,000**	138,000
Bank borrowings	*12*	**180,110**	193,247
Finance lease payables		**354**	885
Deferred tax liabilities		**2,751**	2,751
Long service payment liabilities		**2,516**	2,739
		320,181	349,261
NET ASSETS		**649,598**	641,214
Capital and reserves			
Share capital	*13*	**34,126**	34,126
Reserves		**615,472**	607,088
TOTAL EQUITY		**649,598**	641,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Merger reserve *HK$'000*	Statutory reserve *HK$'000*	Share-based payment reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	FVTOCI reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
Six months ended 30 June 2018											
At 1 January 2018 (Audited)	34,126	209,902	1,181	415	243	64,013	(1,390)	–	–	332,724	641,214
Total comprehensive income for the period	–	–	–	–	–	–	966	–	–	7,418	8,384
At 30 June 2018 (Unaudited)	34,126	209,902	1,181	415	243	64,013	(424)	–	–	340,142	649,598
Six months ended 30 June 2017											
At 1 January 2017 (Audited)	34,126	209,902	1,181	415	243	64,013	2,186	7,306	–	534,196	853,568
Total comprehensive income for the period	–	–	–	–	–	–	(1,838)	(109,236)	–	(57,750)	(168,824)
At 30 June 2017 (Unaudited)	34,126	209,902	1,181	415	243	64,013	348	(101,930)	–	476,446	684,744

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(47,114)**	(31,764)
Net cash (outflow)/inflow from investing activities	**(1,433)**	211,699
Net cash inflow from financing activities	**24,494**	329
(Decrease)/increase in cash and cash equivalents	**(24,053)**	180,264
Cash and cash equivalents at 1 January	**250,076**	33,517
Effect of foreign exchange rate changes	**966**	(1,838)
Cash and cash equivalents at 30 June	**226,989**	211,943
Analysis of cash and cash equivalents		
Bank and cash balances	**226,989**	212,917
Bank overdrafts	**–**	(974)
	226,989	211,943

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017.

In the current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's unaudited condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) *Measurement*

At initial recognition, the Group measures a financial assets at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) *Impairment*

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Carrying amount under HKFRS 9**
				HK$'000	*HK$'000*
Equity investments	*(a)*	Available-for-sale	FVTOCI	87,660	87,660
Trade and other receivables	*(b)*	Loans and receivables	Amortised cost	135,545	135,545

(a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of HK$87.7 million were reclassified from available-for-sale financial assets to financial assets at FVTOCI on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. The Group has assessed the expected credit losses for these receivable are not material thus, no allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognised. It replace HKAS 18 Revenue, HKAS 11 construction contract and related interpretation.

The adoption HKFRS 15 resulted in the following changes to the Group's accounting policies:

(a) *Timing of revenue recognition*

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 adoption of HKFRS 15 did not 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 did not have any impact on the Group's revenue or profit or loss. Revenue recognition occurs 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 adoption of HKFRS 15 did not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. No adjustment to retained earnings at 1 January 2018 has been made in respect of sales with a right return.

2. TURNOVER

Revenue recognized during the Period is HK$932.3 million (2017: HK$916.8 million).

3. 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	
	Six months ended 30 June		At 30 June	At 31 December
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**831,003**	814,661	**713,066**	731,570
Macau	**95,858**	96,260	**813**	1,069
PRC except Hong Kong and Macau	**5,471**	5,889	**597**	949
Consolidated total	**932,332**	916,810	**714,476**	733,588

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**164**	6
Rental income	**7,189**	16,579
Sundry income	**4,868**	6,465
	12,221	23,050

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**4,323**	3,853
Interest expense on loan from a related company	**3,392**	3,450
Finance leases charges	**45**	109
	7,760	7,412

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required, since the Group has no assessable profit for the Period.

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

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas	**–**	46
	–	46

7. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Costs of goods sold	**592,327**	581,354
Depreciation	**20,708**	22,892
Loss/(gain) on disposal of property, plant and equipment	**596**	(11)
Net exchange losses	**940**	101

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings per share	**7,418**	(57,750)

	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**3,412,566,000**	3,412,566,000
Effect of dilutive potential ordinary shares arising from share options outstanding	**37,993,281**	58,923,413
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**3,450,559,281**	3,471,489,413

The effects of potential shares are anti-dilutive for the Period.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2017: Nil).

10. TRADE RECEIVABLES

The Group's sales to wholesale customers are entered into on credit terms ranging from 60 to 120 days, and trade receivables under credit card sales are due within 150 days from the date of billings. The ageing analysis of trade receivables is as follows:

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
Wholesales debtors		
0 – 30 days	**1,971**	2,559
31 – 60 days	**892**	1,647
61 – 90 days	**762**	721
91 – 120 days	**360**	618
Over 120 days	**2,013**	1,653
	5,998	7,198
Trade receivables under credit card sales		
0 – 30 days	**12,236**	24,652
31 – 60 days	**2,181**	2,488
61 – 90 days	**2,785**	2,826
91 – 120 days	**2,082**	2,487
Over 120 days	**39**	1,285
	19,323	33,738
Total	**25,321**	40,936

11. TRADE PAYABLES

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

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
	HK$'000	*HK$'000*
0 – 30 days	**63,572**	72,612
31 – 60 days	**46,606**	52,641
61 – 90 days	**12,836**	15,191
91 – 120 days	**5,411**	3,772
Over 120 days	**5,972**	6,751
	134,397	150,967

12. BANK BORROWINGS

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Short-term bank borrowings	**180,000**	130,000
Long-term bank borrowings	**206,302**	219,188
Trade finance loans	**29,333**	28,422
	415,635	377,610

13. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2017 (Audited) and at 30 June 2018 (Unaudited)	**10,000,000,000**	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2017 (Audited) and at 30 June 2018 (Unaudited)	**3,412,566,000**	34,126

14. LEASE COMMITMENTS

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
Within one year	**236,077**	235,544
In the second to fifth years, inclusive	**195,406**	213,645
After five years	**–**	651
	431,483	449,840

Operating leases payments represent rental payable by the Group for its retail shops. Leases are negotiated for the term of ranging from 1 to 5 years (2017: 1 to 6 years) and rentals are fixed over the lease terms, but certain leases do include contingent rentals.

At the end of the reporting period, the total future minimum sublease rental receivable under non-cancellable operating subleases as follows:

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
Within one year	**4,085**	7,495
In the second to fifth years, inclusive	**3,087**	4,273
	7,172	11,768

15. CONTINGENT LIABILITIES

	At 30 June 2018 (Unaudited) ***HK$'000***	At 31 December 2017 (Audited) *HK$'000*
Guarantees given by banks for rental payment to landlords	**2,850**	2,850
Guarantees given by banks for vendors	**100**	100
	2,950	2,950

16. RELATED PARTY TRANSACTIONS

a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the Period:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales to related companies	**1,235**	1,470
Rental income from a related company	**4,639**	12,892
Licence income from a related company	**–**	2,486
Loan interest expense to a related company	**3,392**	3,450
Rental expense to an executive Director	**1,440**	1,440
Sales received on behalf of related companies	**1,973**	2,536

The executive Directors, Dr. Ip Chun Heng, Wilson and Ms. Chung Pui Wan are also the beneficial owners and directors of the related companies.

b) The remuneration of Directors and other members of key management during the Period was as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Key management personnel compensation:		
Fees	**302**	302
Basic salaries, allowances and benefits in kind	**5,611**	5,467
Discretionary bonuses	**181**	180
Retirement benefits scheme contributions	**204**	204
	6,298	6,153

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

Hong Kong retail sales improved gradually in the first half of 2018 and the recovery continues. For the review period, the Group recorded revenue of HK$932.3 million (2017: 916.8 million), representing an increase of 1.7% from the corresponding period of last year. The Group successfully achieved profit turnaround in the review period, with profit attributable to owners of the Company amounted to HK$7.4 million (2017: Loss HK$57.8 million). The Board has resolved not to declare any interim dividend (2017: Nil). At the end of the Period, the Group had a total 36 stores down from 43 for the corresponding period in 2017.

Market Overview

The Hong Kong retail market is on track to achieve full recovery with continuous sales increases. According to the Census and Statistics Department, the value of total retail sales is provisionally estimated at HK$37.8 billion in June 2018 – an increase of 12.0% over the same month in 2017 – while the provisional estimated value increase in the sale of medicines and cosmetics increased by 18.3%. For the first half of 2018, the provisionally estimated value of total retail sales increased by 13.4% compared with the same period in 2017. A government spokesman indicated that retail sales have sustained double-digit growth, attributed to confident local consumption and an improvement in visitor arrivals.

The increase in travellers arriving in Hong Kong underlines how a revival in tourism has helped drive this increase in retail sales. According to the Hong Kong Tourism Board, total tourist arrivals in the first half of 2018 reached approximately 30.6 million, representing a year-on-year growth of 10.1%. Significantly, the number of visitors from Mainland China reached approximately 23.7 million, representing an increase of 13.4% over the same period in 2017. This recovery in inbound tourism promotes local retail sales.

Business Review

Retail Sales

The retail industry is on course for a continuous upturn in Hong Kong due to both the improvement in inbound tourism and improved consumer sentiment. Thanks to the rebound of local retail in the first half of 2018, the Group's turnover grew by 1.7% while same-store sales rose 14.9%. The Group has kept an eye on the latest trends to accelerate sales performance by selecting the trendiest products from across the world and timely adjusting the product portfolio to optimize product offerings, and enhancing customers' shopping experience in the fast-changing markets. At the same time, the Group has organized different promotional activities and offered discounts during different festivals to attract new customers, and as a token of appreciation to the reward existing customers for their continuous support.

E-payments and E-Commerce

Electronic payment has developed rapidly in Hong Kong in recent years, and consumers increasingly embrace different payment options. In view of this, the Group has installed various electronic payment equipment in its stores – to support Apple Pay, Google Pay (previously Android Pay), Alipay HK and WeChat Pay – further facilitating diversified customer payment habits. During the Period, the Group has introduced various joint promotional activities with Alipay HK and WeChat Pay – such as the launch of "Boujour Welcome Reward" with Alipay HK and the reward of electronic coupon for users of WeChat Pay at Bonjour – to improve customers' shopping experience, to boost repeat purchase and to build brand awareness. All received an overwhelming response.

With the bloom of the mobile internet, online shopping platforms continue to gain popularity, and the increasing number of digital shoppers continues to drive growth. According to the National Bureau of Statistics of China, in the first half of 2018 domestic online retail sales reached RMB4.08 trillion, a year-on-year increase of 30.1%. The Group has actively strengthened its e-commerce sales channels by launching promotions across a variety of channels, including the Group's official shopping website, its long-established shopping platforms at Tmall and WeChat. Moreover, the Group has made use of different social media – such as Facebook, Instagram, WeChat and Weibo – to allow customers to track our latest updates and promotions, while enhancing brand awareness. During the Period, the Group's online sales amounted to HK$24.6 million (2017: HK$17.9 million), rose by 37.6%.

Rental and Store Network

According to a report from Colliers International, activity in the leasing market reflects positive market signals, with rebounding sales figures across retail sectors driven by improved consumer confidence, and a further positive outlook for tourist arrivals. According to data of DTZ, retail street rents in major shopping districts have declined sharply, falling between 42.5% and 56.4% compared to the peak in the four core districts – namely Tsim Sha Tsui, Causeway Bay, Central and Mongkok – and attracting retailers to expand their foothold in these regions. Retailers are now more willing to expand their network and leasing activities have accelerated significantly.

The Group has continued to seize opportunities by closely monitoring market changes, analysing rental trends in various districts in order to extend the store network to different communities, and carefully expanding its business. Benefitting from the significant drop in shop rental expenses mainly due to more reasonable monthly rents agreed upon renewal or new contracts, particularly for street-level stores, the Group significantly improved cost efficiency. The retail store rent-to-turnover ratio amounted to 15.5% (2017: 20.4%).

Brand Management

With years of extensive industry experience and an effective brand strategy, the Group understands the market needs and wants. The Group has sought products from internationally renowned brands according to market needs, enriching the product portfolio and providing diversified and high quality products. Currently, the Group is the distributor of 20,000 well-known global cosmetics, skincare and healthcare products.

The Group has also focused on the marketing of various brands and appointed celebrities as brand ambassadors, including Ms. Ada Choi (Suisse Reborn), Ms. Myolie Wu (Dr. Bauer), Miss Elanne Kwong (WOWWOW) and Miss Joey Wong (Yumei). The professional image of each ambassador has positively promoted product characteristics and enhanced the overall brand awareness of the Group. During the Period, the marketing expenditure for the Group amounted to HK$8.6 million (2017: HK$6.2 million).

Talent Training

The Group has always been customer-oriented. In order to provide a more comprehensive shopping experience, we are committed to enhancing the service quality of our staff. In addition, the Group is also committed to teamwork and organises or joins workshops, festive parties and charity activities to increase employees' sense of belonging. At the same time, we attach great importance to the development of our employees, understand the needs of each individual and provide all kinds of suitable on-the-job training and advanced studies, as well as promotion opportunities, to enhance the professional knowledge and skill of our staff.

Outlook

On track for full recovery in the retail industry

The retail industry in Hong Kong has recovered significantly since it bottomed out in the second half of 2017. This year has seen sustained sales growth and the outlook for the retail market remained positive. PricewaterhouseCoopers expects Hong Kong retail sales to grow by 8% to approximately HK$484 billion over the year. Hong Kong's stock market and property market are improving alongside a high employment rate. It is believed that the local consumer sentiment will remain favourable, which will continue to support the retail sector in the near term. Bonjour will continue to monitor the potential impact of external environment within the retail market and continue to improve its product mix, enhance service quality and launch various promotional activities to stimulate customer spending.

The number of visitor arrivals from Mainland China has steadily rebounded and the recovery of the tourism industry has also driven the development of the retail industry. The Hong Kong Tourism Board expected that the number of tourists would break 60 million this year, representing a rise of 3.6% year-on-year. With the completion of various important infrastructure projects in Hong Kong – such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge – the number of inbound tourists is expected to rise further and result in a positive impact on the retail industry. Alongside the satisfactory operating condition of the Group, we remain optimistic of the market outlook.

PRC market expansion

The cosmetic sector in the People's Republic of China (the "**PRC**") has been growing rapidly in recent years. According to the data from Euromonitor International, the total retail sales of skincare products and make-up products in China reached RMB186.7 billion and RMB34.4 billion respectively in 2017, achieving year-on-year growth of 10.3% and 21.3% respectively. It is believed that the PRC beauty market will continue to grow, fuelled by increasing disposable income and accelerating consumption. The Group has been mindful of grasping opportunities to expand into the PRC market.

Mr. Fan Ka Fai Andrew ("**Mr. Fan**") has joined the Group in August 2018 and will be appointed as the co-chairman and the Chief Dream Officer of a newly formed wholly-owned subsidiary which will focus to venture into the beauty and lifestyle market in the PRC.

Mr. Fan has extensive experience in the retail beauty industry in Southeast Asia and Greater China regions. Prior to joining the Group, Mr. Fan held various positions at NU SKIN Enterprises Inc. since 1991, including Regional President of Southeast Asia and Greater China. Mr. Fan is highly recognised in the industry. We believe that Mr. Fan's appointment will elevate Bonjour to a new horizon in the PRC market.

Rental and Store Network

Despite the fact that the retail performance in the first half of 2018 has improved significantly, the Group will continue to monitor the market rents and effectively implement cost control strategies. According to Colliers International, 2018 retail property rents recovered moderately, and overall rents in first-line street shops increased by 1-3% year-on-year. The recent survey conducted by Jones Lang LaSalle also showed that 83% of international and local retailers plan to open new stores in the next 12 months, a significant increase from 62% in 2017; reflecting retailers' mounting confidence in market prospects. The Group will continue to review the store network, such as expanding into areas where we have no business footprint yet. At the same time, we will actively negotiate rent with the owners, renew the existing quality shops at lower rental costs, and expand the business to different regions with reasonable rents. For the second half of 2018 and up to the date of this report, the Group has already recorded a net increase of two retail stores.

Timely Product Portfolio Adjustment

Cosmetics and skincare products retail stores are always among the most favourable shopping destinations for mainland visitors. As a pioneer in the beauty products and cosmetics industry, the Group has been optimising the brand management strategy and enhancing the efficiency of the product procurement team. Our professional team follows the latest trends in the market, paying attention to the needs and preferences of customers in order to select the latest trendy products from all over the world, including Europe, Japan and South Korea. We will continue to evaluate and restructure our product portfolio regularly and will also expand our own branded products to diversify our in-house range. In addition, we will review pricing strategies in a timely manner to maintain competitiveness.

Grasp the opportunities of e-commerce development

Technology is developing rapidly and e-commerce has become a dominant trend of the retail market. Retailers analyse customer preferences and needs through technology, support and expand customer segments and provide services that better meet customers' needs. In view of this, Bonjour will propel our future growth within various e-commerce platforms so as to enhance brand awareness, broaden customer base and increase sales.

To enhance consumers' shopping experience, Bonjour is committed to providing secure and fabulous shopping services. The Group has cooperated with many well-known e-commerce platforms in Mainland China, including setting up overseas official flagship stores at JD Worldwide and Koala.com. A number of promotions and online exclusive discounts have been organised to broaden the customer base, increase brand awareness and promote sales. In the future, the Group will further strengthen its cooperation with various social media in China to promote more innovative and fashionable product information, in order to attract new customers and increase brand exposure. At the same time, we will continue to explore potential electronic channels and partners to expand different marketing channels which could help to closely meet the needs of customers and provide better services.

Conclusion

Despite the positive outlook for the local retail industry, the Group will continue to monitor the potential impact of external uncertainties within the retail market. Moreover, the market environment is changing rapidly, as consumers change their shopping habits and preferences regularly, leading to a rise in experiential consumption, while the development of e-commerce also gains popularity. The Group will continue to optimise the store network, search for new products to meet the needs and preferences of customers and further enhance the quality of staff and service. We will continue to formulate pragmatic development strategies, seize market opportunities, find suitable merger and acquisition opportunities, and maximize corporate value to our shareholders and investors.

Financial Review

Liquidity and Financial Resources

As at 30 June 2018, the Group's cash and bank deposits amounted to HK$227.0 million (31 December 2017: HK$250.1 million). The Group's bank borrowings, loan from a related company and finance lease payables as at 30 June 2018 were HK$512.7 million (31 December 2017: HK$489.1 million), out of which, HK$207.3 million (31 December 2017: HK$157.0 million) were repayable within next 12 months.

The Group's gearing ratio as at 30 June 2018 was 0.789 (31 December 2017: 0.763), and was calculated based on the Group's bank and other borrowings and finance lease payables, divided by total equity of HK$649.6 million (31 December 2017: HK$641.2 million). Total liabilities to shareholders funds was 117.9% (31 December 2017: 120.8%). The current ratio of the Group as at 30 June 2018 was 1.27 (31 December 2017: 1.29).

The Group services its debt primarily through the cash earned from its operation.

Cash Flow

Net cash outflow from operations for the Period was HK$47.1 million (2017: HK$31.8 million). The profit before tax was HK$7.4 million. The total amount of non-cash items amounting to HK$20.5 million (mainly depreciation expense) and there was a net decrease in working capital of HK$74.9 million.

Net cash outflow from investing activities for the Period was HK$1.4 million (2017: inflow of HK$211.7 million), which mainly represented purchase of property, plant and equipment.

Net cash inflow from financing activities for the Period was HK$24.5 million (2017: HK$0.3 million), which mainly represented the increase in bank borrowings during the Period.

Contingent Liabilities

As at 30 June 2018, the Group had contingent liabilities totaling HK$3.0 million (31 December 2017: HK$3.0 million), which mainly represented guarantees given by bank for rental payment to landlords and vendors.

Foreign Exchange and Bank Borrowing Interest Rate Exposure

The Group has limited exposure to foreign exchange fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, Macau Pataca, Renminbi and United States dollars, with a few denominated in Japanese Yen and Euro. The Group will continue to monitor its foreign exchange position on an on-going basis and, if necessary, will hedge the foreign exchange exposure by forward foreign exchange contracts. As at 30 June 2018, none of the Group's bank borrowings was denominated in foreign currency.

As at 30 June 2018, the Group had short-term bank borrowings amounting to HK$180.0 million (31 December 2017: HK$130.0 million) and long-term bank borrowings amounting to HK$206.3 million (31 December 2017: HK$219.2 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 Period, the Company did not issue and allot new shares.

The total number of issued shares of the Company was 3,412,565,999 as at 30 June 2018.

Charge on Group Assets

As at 30 June 2018, certain of the Group's assets with a net book value of approximately HK$645.8 million (31 December 2017: HK$653.7 million) were pledged to secure banking facilities granted to the Group.

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

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

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 30 June 2018, the Group had financial assets at FVTOCI (31 December 2017: available-for-sale financial assets) through equity investments in Town Health International Medical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 3886) ("**Town Health**") with a total market value of HK$87.7 million, accounting for 6.2% of the Group's total assets (31 December 2017: HK$87.7 million, accounting for 6.2% of total assets). Throughout the Period, the Group has been holding only one single financial asset and nil change on the fair value of such financial asset for the Period (2017: HK$105.6 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.

Human Resources

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. As at 30 June 2018, the Group had approximately 860 (2017: 960) full-time and part-time employees in Hong Kong, Macau and the PRC. Staff costs including Directors' emoluments for the Period were HK$114.9 million (2017: HK$118.9 million).

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

Dividends

The Board has resolved not to declare any interim dividend for the Period (2017: Nil).

Events after the Reporting Period

There were no significant events after the Reporting Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF 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 Period.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on the Directors are as follows:

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 1 July 2017 to 30 June 2018, which can be terminated by either party giving not less than one month's notice in writing. On 25 May 2018, the Board resolved to renew the appointment letter of each of the independent non-executive Directors for a term of one year commencing from 1 July 2018 to 30 June 2019.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, except Mr. Chen Jianwen and Mr. Wan Yim Keung, Daniel, has entered into a service contract with the Company for an initial term of two years commencing from 1 July 2003, and will continue thereafter until terminated by either party giving not less than three months' notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 1 July 2018 to 30 June 2019, which can be terminated by either party giving not less than one month's notice in writing.

None of the Directors proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which a director of the company or his/her connected entities had a material interest, where directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 for the Period.

CORPORATE GOVERNANCE PRACTICES

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

AUDIT COMMITTEE

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

OTHER BOARD COMMITTEES

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

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

Hong Kong, 24 August 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.