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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 2019

The board (the "**Board**") of directors (the "**Director(s)**") of Bonjour Holdings Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, "**Bonjour**" or the "**Group**") for the six months ended 30 June 2019 (the "**Period**" or "**review period**") (the "**Interim Results**"), together with comparative figures for the corresponding period in 2018. 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

	Note	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Turnover	2	**824,829**	932,332
Cost of goods sold		**(530,790)**	(592,327)
Gross profit		**294,039**	340,005
Other income	4	**8,313**	12,221
Distribution costs		**(21,737)**	(26,885)
Administrative expenses		**(289,678)**	(308,627)
Other operating expenses		**(523)**	(1,536)
(Loss)/profit from operations		**(9,586)**	15,178
Finance costs	5	**(19,330)**	(7,760)
(Loss)/profit before tax		**(28,916)**	7,418
Income tax expense	6	**(595)**	–
(Loss)/profit for the period	7	**(29,511)**	7,418
Attributable to owners of the Company		**(29,511)**	7,418
(Loss)/earnings per share	8		
Basic		**HK(0.9) cent**	HK0.2 cent
Diluted		**HK(0.9) cent**	HK0.2 cent

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(29,511)**	7,418
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on the translation of foreign operations	**(38)**	966
Other comprehensive income for the period, net of tax	**(38)**	966
Total comprehensive income for the period	**(29,549)**	8,384
Attributable to owners of the Company	**(29,549)**	8,384

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2019 (Unaudited)** *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**687,223**	706,071
Right-of-use assets	*10*	**515,766**	–
Rental and utility deposits		**49,894**	40,899
Financial assets at fair value through other comprehensive income ("**FVTOCI**")		**83,212**	83,212
Deferred tax assets		**1,289**	1,289
		1,337,384	831,471
Current assets			
Inventories		**257,886**	235,697
Trade receivables	*12*	**26,049**	27,723
Rental and utility deposits		**27,052**	35,772
Prepayments, deposits and other receivables		**17,594**	21,950
Amount due from a related company		**1,339**	42
Current tax assets		**2,962**	2,972
Bank and cash balances		**142,030**	237,532
		474,912	561,688
Current liabilities			
Trade payables	*13*	**116,454**	125,812
Other payables, deposits received and accrued charges		**75,830**	88,298
Lease liabilities		**202,371**	–
Amounts due to related companies		**4,203**	3,346
Bank borrowings	*14*	**303,528**	265,012
Trade finance loans	*14*	**29,994**	26,239
Finance lease payables		**354**	885
Current tax liabilities		**14,038**	13,456
		746,772	523,048
Net current (liabilities)/assets		**(271,860)**	38,640
Total assets less current liabilities		**1,065,524**	870,111

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Non-current liabilities			
Other payables and deposits received		**113**	9,724
Lease liabilities		**344,320**	–
Loan from a related company		**45,000**	125,000
Bank borrowings	*14*	**117,926**	128,748
Deferred tax liabilities		**4,245**	4,245
Long service payment liabilities		**2,709**	2,709
		514,313	270,426
NET ASSETS		**551,211**	599,685
Capital and reserves			
Share capital	*15*	**34,126**	34,126
Reserves		**517,085**	565,559
TOTAL EQUITY		**551,211**	599,685

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

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$'000*	FVTOCI reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
Six months ended 30 June 2019										
At 1 January 2019 (Audited)	34,126	209,902	1,181	415	243	64,013	943	(4,448)	293,310	599,685
Adjustments on initial application of HKFRS 16 (note 1)	–	–	–	–	–	–	–	–	(18,925)	(18,925)
Restated balance at 1 January 2019	34,126	209,902	1,181	415	243	64,013	943	(4,448)	274,385	580,760
Total comprehensive income for the period	–	–	–	–	–	–	(38)	–	(29,511)	(29,549)
At 30 June 2019 (Unaudited)	34,126	209,902	1,181	415	243	64,013	905	(4,448)	244,874	551,211
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**65,537**	(47,114)
Net cash outflow from investing activities	**(85,034)**	(1,433)
Net cash (outflow)/inflow from financing activities	**(75,947)**	24,494
Decrease in cash and cash equivalents	**(95,444)**	(24,053)
Cash and cash equivalents at 1 January	**237,532**	250,076
Effect of foreign exchange rate changes	**(58)**	966
Cash and cash equivalents at 30 June	**142,030**	226,989
Analysis of cash and cash equivalents		
Bank and cash balances	**142,030**	226,989

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGE IN 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 2018. 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 2018.

In the 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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's unaudited condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

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

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) *As a lessee*

The Group leases many assets, including properties and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019	1 January 2019
	HK$	*HK$*
Properties	**515,766**	554,631
Total right-of-use assets	**515,766**	554,631

Significant accounting policies

The Group recognsies a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include leases for the Group's retail shop. The leases typically run for a period of 1–6 years. Some leases include an option to renew the lease for an additional 2–3 years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

(c) As a lessor

The Group leases out its investment properties, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group sub-leases some of its properties. Under HKAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to HKFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value on transition to HKFRS 16. The sub-lease contracts are classified as operating leases under HKFRS 16.

(d) *Impacts of financial statements*

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019
	HK$
Assets	
Right-of-use assets	554,631
Total assets	554,631
Liabilities	
Provision for effective rent	(11,191)
Lease liabilities	584,747
Total liabilities	573,556
Equity	
Retained earnings	(18,925)
Total equity	(18,925)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.0%.

	1 January 2019
	HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	473,030
Discounted using the incremental borrowing rate at 1 January 2019	(43,794)
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(2,535)
Add: Adjustments as a result of a different treatment of extension and termination options	158,046
Lease liability recognised as at 1 January 2019	584,747
Of which are:	
Current lease liabilities	238,784
Non-current lease liabilities	345,963
	584,747

Impacts for the Period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$515,766,000 of right-of-use assets and HK$546,691,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised HK$123,462,000 of depreciation charges and HK$11,283,000 of finance costs from these leases.

2. TURNOVER

An analysis of the Group's turnover during the Period is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contract with customers within the scope of HKFRS 15		
Sales of merchandise	**824,829**	932,332
Timing of revenue recognition		
Products transferred at a point in time	**824,829**	932,332

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 executive director.

Geographical information:

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

	Revenue		Non-current assets	
	Six months ended 30 June		**At 30 June**	At 31 December
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**741,738**	831,003	**1,183,046**	705,004
Macau	**80,304**	95,858	**17,091**	712
PRC except Hong Kong and Macau	**2,787**	5,471	**2,852**	355
Consolidated total	**824,829**	932,332	**1,202,989**	706,071

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**653**	164
Rental income	**2,683**	7,189
Sundry income	**4,977**	4,868
	8,313	12,221

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on lease	**11,283**	–
Interest expense on bank borrowings	**6,197**	4,323
Interest expense on loan from a related company	**1,805**	3,392
Finance leases charges	**45**	45
	19,330	7,760

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**595**	–

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Costs of goods sold	**530,790**	592,327
Depreciation of property, plant and equipment	**19,812**	20,708
Depreciation of lease	**123,462**	–
Operating lease charges for land and buildings (included contingent rentals of Nil (2018: HK$262,000))	**4,773**	142,860
Loss on disposal of property, plant and equipment	**148**	596
Net exchange losses	**224**	940

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted earnings per share	**(29,511)**	7,418

	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**3,412,566,000**	3,412,566,000
Effect of dilutive potential ordinary shares arising from share options outstanding	**15,012,537**	37,993,281
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**3,427,578,537**	3,450,559,281

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK$1.1 million. (2018: HK$1.6 million)

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group acquired right-of-use assets of approximately HK$84.6 million (2018: Nil).

11. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2018: Nil).

12. TRADE RECEIVABLES

The Group's sales to wholesale customers are entered into on credit terms ranging from 30 to 120 days, and trade receivables under credit card sales are due within 90 days from the date of billings. The ageing analysis of trade receivables is as follows:

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Wholesales debtors		
0 – 30 days	**962**	1,323
31 – 60 days	**912**	937
61 – 90 days	**286**	1,633
91 – 120 days	**21**	87
Over 120 days	**606**	93
	2,787	4,073
Trade receivables under credit card sales		
0 – 30 days	**17,178**	20,242
31 – 60 days	**4,280**	2,411
61 – 90 days	**1,779**	952
91 – 120 days	**4**	25
Over 120 days	**21**	20
	23,262	23,650
Total	**26,049**	27,723

13. TRADE PAYABLES

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

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
0 – 30 days	**50,801**	64,411
31 – 60 days	**47,629**	39,880
61 – 90 days	**10,219**	12,789
91 – 120 days	**3,832**	5,085
Over 120 days	**3,973**	3,647
	116,454	125,812

14. BANK BORROWINGS

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Short-term bank borrowings	**240,000**	200,000
Long-term bank borrowings	**181,454**	193,760
Trade finance loans	**29,994**	26,239
	451,448	419,999

15. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2018 (Audited) and at 30 June 2019 (Unaudited)	**10,000,000,000**	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 December 2018 (Audited) and at 30 June 2019 (Unaudited)	**3,412,566,000**	34,126

16. CONTINGENT LIABILITIES

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Guarantees given by banks for vendors	**100**	100

17. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales to related companies	**1,805**	1,235
Rental income from a related company	**660**	4,639
Loan interest expense to a related company	**1,805**	3,392
Rental expense to an executive Director	**1,440**	1,440
Sales received on behalf of related companies	**1,714**	1,973

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Key management personnel compensation:		
Fees	**302**	302
Basic salaries, allowances and benefits in kind	**5,744**	5,611
Discretionary bonuses	**186**	181
Retirement benefits scheme contributions	**204**	204
	6,436	6,298

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

With looming uncertainties, the retail market in Hong Kong is expecting a downward trend. For the six months ended 30 June 2019, the Group recorded a revenue of HK$824.8 million (2018: HK$932.3 million), representing a decrease of 11.5% from the corresponding period of last year. Loss for the Period was HK$29.5 million (2018: Profit for the period HK$7.4 million). The Board has resolved not to declare any interim dividend for the Period (2018: Nil). At the end of the Period, the Group had a total 39 stores in Hong Kong, Macau and Guangzhou.

Market Overview

Hong Kong retail market has braced for a challenging time brought by global and local economic uncertainties during the Period. According to the Census and Statistics Department, the value of total retail sales in June 2019 provisionally estimated at HK$35.2 billion, decreased by 6.7% compared with the same month in 2018. For the first half of 2019, it was provisionally estimated that the value of total retail sales decreased by 2.6% compared with the same period in 2018. The Census and Statistics Department commented that the overall performance of retail sales remained subdued in recent months.

The provisional numbers of tourist arrivals in Hong Kong in first half of 2019 reached approximately 35 million, representing a year-on-year growth of 14%, according to the Hong Kong Tourism Board. It is believed that the operation of two major cross-border transport links – the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge – boosted the increase in the numbers of tourist arrivals. However, overnight visitor per capita spending of the first quarter of 2019 is HK$6,010, representing a year-on-year decrease of 13.6%, with a sharp drop of 18.5% of mainland overnight visitors. Still, the political and economic instability looms over the city, which brings uncertainties in tourism and the retail market.

Business Review

Retail Sales

Hong Kong has been affected by the US-China trade war which led to the slump of retail sales. The escalating trade tension between the United States and China slowed local economic growth which has also affected investment sentiment and consumer confidence. The Group's total retail sales for the Period decreased by 10.5% compared to the corresponding period of last year.

Nevertheless, the changing habit among the tourists, in particular the Mainland tourists, has put a damper on the retail sales growth. Tourists are now inclined to take short trips to Hong Kong and spend lesser than before. Bonjour has noticed such changes and has enriched our product mix and promotional offers to boost sales. For instance, we have an ongoing joint-promotion campaign with Union Pay to offer special discounts to the Mainland visitors who use Union Pay card for payment. Also, we endeavored in planning proper store layout to strategically direct shoppers to high-priority products and drive impulse sales as well as to make good use of our space to let customers easy to navigate, which are important for providing a good customer experience.

The Group also believed that the decrease is impacted by the e-commerce law in China which is taken effect on early 2019 and put pressure on "Daigou" (surrogate shopping). Daigou merchants, who used to declare their imports as personal items to avoid taxes, are now compelled by the e-commerce law to obtain licenses and register as businesses. Daigou activities might be subsequently reduced, which brought a knock-on effect on the Group, at least for the short-term. However, in the meantime, the Group saw the new law as an opportunity to the Group (please see the Outlook).

E-commerce

Thanks to the extensive mobile usage and fast growing technology, shoppers now value a streamlined shopping experience more than ever.

In response to the growing trend of online shopping, Bonjour has not only continued to enhance its own official online store, but also expanded into other popular e-commerce platforms such as Tmall Global, Kaola, Xiahongshu to provide online-shoppers with convenient and excellent shopping experience. Online platforms big data is an additional benefit to the Group which we could analyse customers' behaviours and their preference, and could thus reach potential customers and offer them target products effectively. It also helped the Group to optimise its online-to-offline program, and to maintain an ongoing relationship with our customers.

Mobile payment services are now widely accepted in merchants. According to the Global Consumer Insights Survey 2019 from PwC, people making mobile payments in stores is rapidly growing in Hong Kong, increased by 22 percentage points to 64%. Bonjour embrace all suitable and available types of digital payment, including Apple Pay, Google Pay, Alipay HK and WeChat Pay, to facilitate cashless contactless shopping experience. Customers could finish their transactions more conveniently. Occasionally, they could enjoy discounts by using certain digital payment, such as the "Bonjour Welcome Reward" introduced by Alipay HK.

Rental and Store Network

The local retail leasing market has shown signs of slowing with unstable retail environment and easing retail sales. According to real estate advisor Savills, the prime street shop rents recorded a fall of 1.9% in Q2 2019. The Group monitored and examined market changes regularly in order to review tenancy renewal in a prudent manner. The retail store rent-to-turnover ratio amounted to 15.6%. (2018: 15.5%), representing the effective cost management strategy adopted by the Group.

As at 30 June 2019, the Group operated 39 stores in Hong Kong, Macau and Guangzhou (2018: 36). Adopting a cautious strategic planning in its store network, the Group reviewed the store network from time to time to ensure the store locations can effectively capture tourists and local communities' needs.

Brand Management

Bonjour has established its brand for 28 years and we have successfully gained popularity among customers. The Group is currently the exclusive distributor of over 100 well-known brands, including Suisse Reborn, Dr. Bauer, Yumei, WOWWOW, Dr. Schafter and Auslin, covering a broad spectrum of skin-care, fragrance, cosmetics, hair-care, body-care and healthcare products and beauty devices.

During the Period, the Group has continued to engage celebrities as brand ambassadors, including Ms. Ada Choi (Suisse Reborn), Ms. Myolie Wu (Dr. Bauer), Miss Elanne Kwong (WOWWOW) and Miss Joey Wong (Yumei). Their professional image and credits to the products across different channels has promoted product characteristics positively.

Moreover Bonjour VIP programme has also been launched to connect with customers. VIP members could receive latest Bonjour promotions and enjoy special offers and rewards. The VIP programme has also been evolved to be a digital membership, which customers could also enjoy exclusive sale and new product releases anytime and anywhere via their mobile phones. The current number of members under Bonjour VIP programme has already exceeded 500,000.

Bonjour has also focused on various promotional and online marketing activities to retain our customers. During the Period, Bonjour not only partnered with some card issuing banks or corporations to offer promotions and rewards for customers, but also held occasional campaigns at different electronic payment platforms, namely Alipay, Alipay HK, WeChat Pay and WeChat Pay HK. Customers could enjoy special offers from the joint promotions which could truly drive their loyalty to our brand. As social media are taking a more important role in connecting consumers, Bonjour has changed its marketing strategy and marketing spending where preferably on social media platforms instead of traditional commercials to increase the brand awareness in a more effective and efficient way. During the Period, the marketing expenditure for the Group decreased by 31.4% to HK$5.9 million (2018: HK$8.6 million).

Talent Training

Products availability and prices are more transparent on the internet nowadays. Customers are intended to look for valuable services and remarkable experience when they shop. The Group adheres to its ethos of “service-oriented, striving for excellence” and we always consider talent training as our top priority, we have provided orientation and training programmes for new staff and on-the-job training for existing staff. Our staff are well-trained to understand customers’ needs and to offer their expertise in a wide range of product knowledge. With comprehensive knowledge in beauty, our frontline staff are able to recommend suitable products to customers, and provide information on how to correctly use the products. The comprehensive staff training successfully enhances staff’s professionalism and efficiency to maintain our service quality as well as customers’ satisfaction.

During the Period, there are approximately 810 staff in the Group and the staff cost-to-turnover ratio was 13.6% (2018: 12.3%).

Outlook

Retail market faces downturn amid macroeconomic uncertainty

Hong Kong retail market is expected to face a downturn in the second half of 2019. It is believed that the ongoing US-China trade war, social unrest and volatility of Renminbi will continue to affect consumers' sentiment and tourist arrivals. According to PwC, Hong Kong retail sales is estimated to fall by 5%, a downward revision from its earliest forecast of a 3% drop for the second half of the year. Facing the downward economy and consumer market, the Group will keep a close eye on the market trend incisively, and adopt cautious flexible strategy to face the market changes.

Rental and Store Network

The local retail leasing market is expected to further slow down in the second half of this year as sales continue to slump. Real estate advisor Savills believed that the retail market will remain bleak and there would not be any "big headline deals" in retail rentals during the second half of the year.

The Group will continue to closely monitor the rental market and review the store network strategy. The Group will also evaluate and forecast the sales performance before considering tenancy renewal in each store. Locations in different regions with reasonable rent or popular shopping districts will also be taken into account to increase market penetration.

Timely Product Portfolio Adjustment

To attract diversified customers, Bonjour regularly analyses data to determine which products are in the most demand, and adjust our product portfolio accordingly to match customers' desire. Our product procurement team will continue to seek for not only the latest trendest items, but also the best-in-class, best-selling or celebrities highly recommended brands and products to satisfy diversified needs. We will simultaneously adjust the product mix according to their popularity and sales performance. Obsolete products will be removed and seasonal products will be promoted timely to adapt to seasonal conditions. The Group will maintain sensitive to market trends and review strategies to remain competitive.

Keep up with the latest e-commerce trends

E-commerce has been a driving force in retail market in recent years and it is important for us keep up with the latest e-commerce trends to connect with key markets customers and boost sales.

Bonjour has introduced various e-commerce measures in order to bring convenient shopping experience to customers. Currently, Bonjour has embraced multiple mobile payments and established its footprints at different popular e-commerce channels. Bonjour will continue to expand its online sales channels and platforms to enhance communication and interaction with customers.

At the same time, Bonjour will keep a pulse on e-commerce trends. For example, buy online, pick up in-store (BOPIS) has been gaining popularity among retailers and shoppers. Recently Bonjour has entered into an agreement with Fliggy, a travel service platform of Alibaba Group Holding Limited ("**Alibaba**"). Under the agreement, Bonjour will offer its products at the "Fliggy Buy" shopping channel, enabling travelers to shop online and pick up their purchased goods while they travel in Hong Kong, thus providing an elevated shopping experience. Bonjour will be able to tap into the vast user base of Fliggy Buy to integrate its online and offline sales channel.

China's new e-commerce law, which takes effect from the beginning of the year, has brought increased pressure on the e-commerce market. We believed that some unqualified platforms would be forced to close down and exit the market. It could be seen as an opportunity for the remaining up-to-standard sizeable platforms like us. The Group will continue to explore more cost-efficiency measures, including optimizing warehouse operation and inventory management systems to improve our operation efficiency.

Moreover, Bonjour will continue to make good use of various social media platforms and explore different online marketing measures to promote our brand efficiently. After the Period end, Bonjour has negotiated with a China business company which we believe it can help Bonjour to promote its brand and products in the PRC market in the future.

Conclusion

It is believed that the local retail market remains challenging in the second half of the year. However, Bonjour is well positioned to turn challenges into opportunities. In the era of New Retail, Bonjour will keep transforming to meet customers' needs by upgrading our in-store facilities and developing our online e-commerce platforms. Bonjour will also strive to promote the brand with its diversified product mix and sincere services. The Group will spare no effort to maintain our competitiveness to combat the challenges ahead.

Financial Review

Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and bank deposits amounted to HK$142.0 million (31 December 2018: HK$237.5 million). The Group's bank borrowings, loan from a related company and finance lease payables as at 30 June 2019 were HK$466.8 million (31 December 2018: HK$519.6 million), out of which, HK$303.9 million (31 December 2018: HK$265.9 million) were repayable within next 12 months. As at 30 Jun 2019, among the net current liabilities of HK$271.9 million (31 December 2018 : net assets of HK$ 38.6 million), around HK$202.4 million was arised due to the adoption of new HKFRS 16 as lease liability and around HK$303.5 million was mainly related to bank borrowings which are revolving in nature.

The Group's gearing ratio as at 30 June 2019 was 0.847 (31 December 2018: 0.867), and was calculated based on the Group's bank and other borrowings and finance lease payables, divided by total equity of HK$551.2 million (31 December 2018: HK$599.7 million). Total liabilities to shareholders funds was 228.8% (31 December 2018: 132.3%). The current ratio of the Group as at 30 June 2019 was 0.64 (31 December 2018: 1.07).

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

Cash Flow

Net cash inflow from operating activities for the Period was HK$65.5 million (2018: outflow of HK$47.1 million). The loss before tax was HK$28.9 million (2018: profit before tax HK$7.4 million). The total amount of non-cash items amounting to HK$143.4 million (mainly depreciation expense) and there was a net increase in working capital of HK$48.3 million.

Net cash outflow from investing activities for the Period was HK$85.0 million (2018: HK$1.4 million), which mainly represented purchase of property, plant and equipment and additions of right-of-use assets.

Net cash outflow from financing activities for the Period was HK$75.9 million (2018: inflow of HK$24.5 million), which mainly represented the repayment of a loan from a related company during the Period.

Contingent Liabilities

As at 30 June 2019, the Group had contingent liabilities totaling HK$0.1 million (31 December 2018: HK$0.1 million), which mainly represented guarantees given by bank for 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 2019, none of the Group's bank borrowings was denominated in foreign currency.

As at 30 June 2019, the Group had short-term bank borrowings amounting to HK$240.0 million (31 December 2018: HK$200.0 million) and long-term bank borrowings amounting to HK$181.5 million (31 December 2018: HK$193.8 million). The bank borrowings were arranged at both fixed interest rate and floating interest rate basis at short-term inter-bank offer rates.

Capital Structure

During the 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 2019.

Charge on Group Assets

As at 30 June 2019, certain of the Group's assets with a net book value of approximately HK$630.0 million (31 December 2018: HK$637.9 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 growth within their industries. The Group has no specific industry focus on potential investment.

As at 30 June 2019, the Group had financial assets at FVTOCI 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$83.2 million, accounting for 4.6% of the Group's total assets (31 December 2018: HK$83.2 million, accounting for 6.0% of total assets). Throughout the Period, the Group has been holding only one single financial asset and no change on the fair value of such financial asset for the Period (2018: Nil). 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 2019, the Group had approximately 810 (2018: 860) full-time and part-time employees in Hong Kong, Macau and the PRC. Staff costs including Directors' emoluments for the Period were HK$112.2 million (2018: HK$114.9 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 (2018: Nil).

Events after the Reporting Period

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Board currently does not have any future plans for material investments or capital assets.

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 2018 to 30 June 2019, which can be terminated by either party giving not less than one month's notice in writing. On 24 May 2019, 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 2019 to 30 June 2020.

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 2019 to 30 June 2020, 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, 23 August 2019

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.