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Bonjour Holdings Limited

卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “Director(s)”) (the “Board”) of Bonjour Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, “Bonjour” or the “Group”) for the six months ended 30 June 2016 (the “Period”) (the “Interim Results”), together with comparative figures for the corresponding period last year. The Interim Results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Continuing operations			
Turnover	2	1,010,425	1,146,756
Cost of goods sold		<u>(602,789)</u>	<u>(641,214)</u>
Gross profit		407,636	505,542
Other income	4	27,143	39,505
Distribution costs		(27,792)	(35,115)
Administrative expenses		(424,614)	(473,279)
Other operating expenses		<u>(4,641)</u>	<u>(296)</u>
(Loss)/profit from operations		(22,268)	36,357
Finance costs	5	<u>(5,628)</u>	<u>(5,306)</u>
(Loss)/profit before tax		(27,896)	31,051
Income tax expense	6	<u>(621)</u>	<u>(5,998)</u>
(Loss)/profit for the period from continuing operations	7	(28,517)	25,053
Discontinued operations			
Profit for the period from discontinued operations	8	<u>–</u>	<u>398,968</u>
(Loss)/profit for the period		<u>(28,517)</u>	<u>424,021</u>
Attributable to owners of the Company		<u>(28,517)</u>	<u>424,021</u>
(Loss)/earnings per share	9		
From continuing and discontinued operations			
Basic		<u>HK(0.8) cent</u>	<u>HK12.4 cents</u>
Diluted		<u>HK(0.8) cent</u>	<u>HK12.1 cents</u>
From continuing operations			
Basic		<u>HK(0.8) cent</u>	<u>HK0.7 cent</u>
Diluted		<u>HK(0.8) cent</u>	<u>HK0.7 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	<u>(28,517)</u>	<u>424,021</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences arising on the translation of foreign operations	(440)	12
Fair value change on available-for-sale financial assets	(120,558)	306,892
Exchange differences reclassified to profit or loss on disposal of subsidiaries	<u>–</u>	<u>906</u>
Other comprehensive income for the period, net of tax	<u>(120,998)</u>	<u>307,810</u>
Total comprehensive income for the period	<u>(149,515)</u>	<u>731,831</u>
Attributable to owners of the Company	<u>(149,515)</u>	<u>731,831</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		787,564	809,846
Rental and utility deposits		76,692	94,081
Available-for-sale financial assets		463,966	584,524
Deferred tax assets		1,289	1,289
		1,329,511	1,489,740
Current assets			
Inventories		271,452	256,552
Trade receivables	11	31,837	41,062
Rental and utility deposits		51,219	39,098
Prepayments, deposits and other receivables		23,008	30,183
Amount due from a related company		2,631	1,184
Current tax assets		6,502	6,502
Pledged bank deposits	12	6,175	6,328
Bank and cash balances	12	37,571	97,153
		430,395	478,062
Current liabilities			
Trade payables	13	138,148	162,085
Other payables, deposits received and accrued charges		94,060	122,806
Amounts due to related companies		6,979	3,379
Loan from a related company		138,000	–
Bank borrowings	14	150,104	149,440
Trade finance loans	14	38,850	24,269
Finance lease payables		2,103	2,103
Current tax liabilities		10,454	10,033
		578,698	474,115
Net current (liabilities)/assets		(148,303)	3,947
Total assets less current liabilities		1,181,208	1,493,687

		At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Other payables and deposits received		20,894	23,751
Loan from a related company		–	138,000
Bank borrowings	14	225,445	243,087
Finance lease payables		3,579	4,631
Deferred tax liabilities		1,535	1,535
Long service payment liabilities		4,655	4,655
		<u>256,108</u>	<u>415,659</u>
NET ASSETS		<u>925,100</u>	<u>1,078,028</u>
Capital and reserves			
Share capital	15	34,126	34,126
Reserves		890,974	1,043,902
TOTAL EQUITY		<u>925,100</u>	<u>1,078,028</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Six months ended 30 June 2016										
At 1 January 2016 (Audited)	34,126	209,902	1,181	415	243	64,013	919	135,171	632,058	1,078,028
Total comprehensive income for the period	-	-	-	-	-	-	(440)	(120,558)	(28,517)	(149,515)
2015 final dividends paid	-	-	-	-	-	-	-	-	(3,413)	(3,413)
At 30 June 2016 (Unaudited)	<u>34,126</u>	<u>209,902</u>	<u>1,181</u>	<u>415</u>	<u>243</u>	<u>64,013</u>	<u>479</u>	<u>14,613</u>	<u>600,128</u>	<u>925,100</u>
Six months ended 30 June 2015										
At 1 January 2015 (Audited)	33,990	208,612	1,132	415	258	60,523	(2,937)	-	275,382	577,375
Total comprehensive income for the period	-	-	-	-	-	-	918	306,892	424,021	731,831
Issue of share upon exercise of share option	185	2,957	-	-	-	-	-	-	-	3,142
Repurchase of share	(23)	(1,407)	23	-	-	-	-	-	-	(1,407)
Recognition of share-based payments	-	-	-	-	-	4,164	-	-	-	4,164
Disposal of subsidiaries	-	-	-	-	(15)	-	-	-	-	(15)
2014 final dividends paid	-	-	-	-	-	-	-	-	(71,721)	(71,721)
At 30 June 2015 (Unaudited)	<u>34,152</u>	<u>210,162</u>	<u>1,155</u>	<u>415</u>	<u>243</u>	<u>64,687</u>	<u>(2,019)</u>	<u>306,892</u>	<u>627,682</u>	<u>1,243,369</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash outflow from operating activities		(49,434)	(41,889)
Net cash outflow from investing activities		(2,848)	(77,784)
Net cash outflow from financing activities		(6,860)	(71,667)
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(59,142)	(191,340)
Cash and cash equivalents at 1 January		97,153	238,902
Effect of foreign exchange rate changes		(440)	11
		<hr/>	<hr/>
Cash and cash equivalents at 30 June		<u>37,571</u>	<u>47,573</u>
Analysis of cash and cash equivalents			
Bank and cash balances	<i>12</i>	<u>37,571</u>	<u>47,573</u>

NOTES TO THE CONDENSED CONSOLIDATED 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 2015. 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 2015.

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 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current Period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. TURNOVER

Revenue recognized during the Period from continuing operations is as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sales of merchandise	1,009,507	1,141,363
Commission income	918	5,393
	<u>1,010,425</u>	<u>1,146,756</u>

3. SEGMENT INFORMATION

The Group has carried on a single business from continuing operations, 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 continuing operations 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 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Hong Kong	902,462	1,031,174	783,796	805,133
Macau	101,214	109,101	1,754	1,998
PRC except Hong Kong and Macau	6,749	6,481	2,014	2,715
Consolidated total	<u>1,010,425</u>	<u>1,146,756</u>	<u>787,564</u>	<u>809,846</u>

4. OTHER INCOME

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank interest income	12	1,398
Licence income	–	7,467
Rental income	18,232	19,767
Sundry income	8,899	10,873
	<u>27,143</u>	<u>39,505</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest expense on bank borrowings	3,449	3,127
Interest expense on loan from a related company	2,070	2,070
Finance leases charges	109	109
	<u>5,628</u>	<u>5,306</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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 relating to continuing operations charged to the unaudited condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	–	4,883
Overseas	621	1,115
	<u>621</u>	<u>5,998</u>

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Costs of goods sold	602,789	641,214
Depreciation	25,293	22,638
Loss on disposal of property, plant and equipment	55	289
Net exchange losses/(gain)	4,586	(454)

8. DISCONTINUED OPERATIONS

On 20 August 2014, Bonjour Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Town Health International Medical Group Limited (the "Purchaser") for sale and purchase of 100% of the entire share capital of Bonjour Beauty International Limited and its subsidiaries (the "disposal group") at a consideration of HK\$423,780,000 which will be satisfied by the allotment and issue of 365,327,586 consideration shares at an issue price of HK\$1.16 per share by the Purchaser. The disposal group carried out all of the Group's beauty and health salons operations. The disposal was completed on 1 January 2015.

The results of the discontinued operations included in the profit for the period are set out below.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period from discontinued operations:		
Gain on disposal of subsidiaries	–	398,968
	<u>–</u>	<u>398,968</u>
Profit for the period from discontinued operations (attributable to owners of the Company)	<u>–</u>	<u>398,968</u>

9. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(28,517)</u>	<u>424,021</u>
	2016	2015
	(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	3,412,780,685
Effect of dilutive potential ordinary shares arising from share options outstanding	<u>54,328,597</u>	<u>95,341,970</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>3,466,894,597</u>	<u>3,508,122,655</u>

From continuing operations

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

	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	(28,517)	424,021
Profit for the period from discontinued operations	—	(398,968)
	<u> </u>	<u> </u>
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share from continuing operations	<u>(28,517)</u>	<u>25,053</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same.

From discontinued operations

There is no (loss)/earnings per share or diluted (loss)/earnings per share from the discontinued operations for the Period. For the six months ended 30 June 2015, basic (loss)/earnings per share from the discontinued operations is HK11.7 cents per share and diluted (loss)/earnings per share from the discontinued operations is HK11.4 cents per share, based on the profit for the period from discontinued operations attributable to the owners of the Company is HK\$398,968,000 and the denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share.

10. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interim, proposed of HK0.1 cent (2015: HK0.1 cent) per ordinary share	<u>3,413</u>	<u>3,418</u>

At a Board meeting held on 26 August 2016, the Board declared an interim dividend of HK0.1 cent (2015: HK0.1 cent) per ordinary share. These proposed dividends are not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be recognised in shareholders' equity in the year ending 31 December 2016.

11. 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 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Wholesales debtors		
0 – 30 days	4,195	3,242
31 – 60 days	1,501	2,791
61 – 90 days	1,255	1,726
91 – 120 days	729	2,433
Over 120 days	3,799	4,626
	<u>11,479</u>	<u>14,818</u>
Trade receivables under credit card sales		
0 – 30 days	4,425	11,590
31 – 60 days	3,371	4,374
61 – 90 days	2,970	4,993
91 – 120 days	2,972	4,151
Over 120 days	6,620	1,136
	<u>20,358</u>	<u>26,244</u>
Total	<u>31,837</u>	<u>41,062</u>

12. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Cash at bank and on hand	37,571	97,153
Time deposits	6,175	6,328
Total Bank and cash balances	43,746	103,481
Less: Pledged bank deposits	<u>(6,175)</u>	<u>(6,328)</u>
Cash and cash equivalents	<u>37,571</u>	<u>97,153</u>

13. TRADE PAYABLES

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

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
0 – 30 days	68,078	86,026
31 – 60 days	49,348	52,116
61 – 90 days	14,176	16,807
91 – 120 days	2,554	2,742
Over 120 days	3,992	4,394
	<u>138,148</u>	<u>162,085</u>

14. BANK BORROWINGS

	At 30 June 2016 (Unaudited) <i>HK\$'000</i>	At 31 December 2015 (Audited) <i>HK\$'000</i>
Short-term bank borrowings	115,000	100,000
Long-term bank borrowings	260,549	292,527
Trade finance loans	38,850	24,269
	<u>414,399</u>	<u>416,796</u>

15. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2015 and at 30 June 2016	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2016 and at 30 June 2016	<u>3,412,566,000</u>	<u>34,126</u>

16. 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 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within one year	391,877	440,766
In the second to fifth years, inclusive	286,872	461,861
After five years	<u>3,908</u>	<u>4,732</u>
	<u>682,657</u>	<u>907,359</u>

Operating leases payments represent rental payable by the Group for its retail shops. Leases are negotiated for the term of ranging from 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 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within one year	30,081	28,788
In the second to fifth years, inclusive	<u>26,103</u>	<u>27,808</u>
	<u>56,184</u>	<u>56,596</u>

17. CONTINGENT LIABILITIES

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Guarantees given by banks for rental payment to landlords	4,687	4,687
Guarantees given by banks for vendors	<u>200</u>	<u>200</u>
	<u>4,887</u>	<u>4,887</u>

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Sales to related companies	850	747
Rental income from a related company	12,892	11,617
Licence income from a related company	2,486	2,486
Loan interest expense to a related company	2,070	2,070
Sales received on behalf of related companies	<u>2,580</u>	<u>12,456</u>

The executive Director, Dr. Ip Chun Heng, Wilson, is also the executive director of the ultimate holding company 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	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Key management personnel compensation:		
Fees	302	302
Basic salaries, allowances and benefits in kind	5,470	5,395
Discretionary bonuses	170	160
Retirement benefits scheme contributions	204	204
	<u>6,146</u>	<u>6,061</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group's Operation

As the challenges of 2015 for retailers continue to weigh on the industry, the overall retail market in Hong Kong during the first half of 2016 remained stagnant. For the six months ended 30 June 2016 (the "Period" or "review period"), the Group recorded a turnover of HK\$1,010.4 million (2015: HK\$1,146.8 million), resulting to a decrease of 11.9% from the last corresponding period. Gross profit margin dropped from 44.1% to 40.3%. There was a loss for the Period of around HK\$28.5 million, while there was a profit attributable to owners of the Company of around HK\$424.0 million in last corresponding period, due to the drop in turnover, gross margins and there was a profit from discontinued operations amounting to around HK\$399.0 million in 2015.

The Board has resolved to declare an interim dividend of HK0.1 cent (2015: HK0.1 cent) per ordinary share for the review period. The Company decides to maintain a prudent dividend policy which aims at strengthening our capital basis by ensuring the ability of ongoing operations in order to support the business and maximize shareholders' interest. With this practice, the Company could achieve the strategic goal of creating long-term and sustainable business growth.

Market Overview

Retailing in Hong Kong saw sluggish growth in 2016, which was affected by the uncertain global economic outlook, intensive competition in the industry, falling number of mainland Chinese tourist arrivals and their weakening spending power, the retail market thus had undergone a lot of pressures.

According to the Census and Statistics Department, the total retail sales value in the first half of 2016 in Hong Kong fell by 10.5% to HK\$219.7 billion compared with that of 2015. With the combined effects of the decline of tourism and strong currency, it turned out to be another difficult time for retail market in Hong Kong in general ever since the economic crisis in 2009.

Customers from China remained considerable significance to the retail market. However, several factors, like the anti-mainland Chinese tourist sentiment and the economic slump in China, have contributed to the slowing of mainland tourist arrivals. The number of mainland Chinese outbound tourists to Hong Kong dropped by 11.7% during the Lunar New Year holiday this year. Moreover, the policy adjustment on individual travel by Shenzhen permanent residents from multiple-entry permits to one visit per week since last April continued to hit the market hard. One year after, the number of mainland visitors coming to Hong Kong on multiple-entry visas has drastically dropped by 57.3% to 6.3 million.

Meanwhile, the sensitive anti-corruption campaign in the Mainland further weakened their spending pattern, in particular the demand for fancy items and extravagant gift sets. All these significant political and social factors impacted the Group's profitability.

Other challenges to Hong Kong tourism included the devaluation of currencies in neighbouring countries, such as China and South Korea, as well as the Hong Kong dollar rising with the continuously strengthening U.S. dollar. These factors directly led to a drop of tourist arrivals and weak local consumption, and hence eventually a slowdown of growth in retail and sales. Furthermore, the uncertain prospects for economic growth in Hong Kong and mainland China softened domestic demand to a large extent.

On the other hand, an increasing number of store-based retailers are developing online sales channels to take advantage of booming cross-border e-commerce, the online channel is expected to increase its penetration rate in Hong Kong since consumers are highly attracted by lower price and exclusive products offered online.

Business Review

As the pioneer of the industry, the Group strived to steady its profitability by maintaining a strong foothold in the region and capturing business opportunities at a prudent rate.

Retail Sales

Under the economic downturns, the Group's turnover has dropped by 11.9% while the gross profit margin has dropped from 2015 whole year's 41.8% to current period's 40.3%. The drop in gross profit margin is mainly due to the reduction in the proportion of exclusive products from 2015 whole year's 27.2% to current period's 23.0%.

Korean wave kept sweeping across Asia, beauty and health products from Korea gained strong preference in the retail market. Taking into consideration, the Group has formed designated procurement teams to build up a more extensive product portfolio. They focus on sourcing the latest trend of Korean cosmetic and skincare products to satisfy the market's wide variety and cater customer's needs. Throughout the review period, sales of Korean products took up about 17.0% of revenues (2015: 18.4%).

Collaborated with Alipay, a one-day special "2016 Carnival All the Way" was held in January and it was a great success to attract customers from the Mainland. Being the Group's first promotion and big sale for this year, red envelopes and lucky bags were widely distributed at Tsim Sha Tsui store. On top of that, the first 1,000 customers received 3 red packets from Alipay with lucky money which was worth RMB100 each. Customers also enjoyed the benefits of buying store's products at a discounted price.

Rental and Store Network

Amid the on-going downturn in property and retail sales, Bonjour enjoyed the benefits of a higher bargaining power of store rents. The Group's headquarter was expanded and relocated to Tsuen Wan from To Kwa Wan in November 2015, allowing a more positive work environment, along with additional manpower and a more comprehensive and efficient logistics and management system. It has substantially proved to be essential to the staff's overall operation and the Group's cost control.

The rental of prime location continued to drop throughout the review period. Such downturn strengthened the negotiation power of retailers and helped ease the rental cost pressure. As at 30 June 2016, the Group had a presence in Hong Kong, Macau, and Guangzhou with the overall store count of 46 (2015: 46). The effects for the change in turnover will normally come faster than the effects for the change in rent for any change in the economic climates since those rental contracts are subject to re-negotiation only after the fixed terms. Rent-to-turnover ratio for the Period is 21.1% (2015: 18.8%). The Group will keep on analyzing the rental momentum in a cautious manner when considering future relocation or new lease to optimize the operating efficiency of the Group.

E-commerce

Despite the fact that retail market in Hong Kong was adversely affected, Bonjour saw rapid expansion opportunities in internet retailing over the review period. The Group was able to maintain growth by partnering with Tmall. As emerging in a technological era, the popularity of online shopping platform is inevitably rising. The new e-commerce channel development, Alipay and WeChat, made online retail sales highly recognized. The trend not only actively attracted more customers from various spectrums but also raised the Group's awareness in China and thus explored more markets in Asia. As such, the Group has accelerated the development and operation of e-commerce business.

The Group's online retail sales amounted to HK\$18.2 million in the first six months this year, which represented an increase of 7.0% from the last corresponding period. The Group will continue to further develop their e-commerce platform.

Brand Management

The Group stayed ahead in the beauty products and cosmetic industry by leveraging on effective branding strategies. Currently, the Group is the distributor of 180 internationally acclaimed skincare and health care products including Suisse Reborn, Yumei, WOWWOW, and Dr. Shafter. To well fit these exclusive beauty products, Bonjour had invited a number of celebrities as its brand ambassadors in Hong Kong, such as Miss Ada Choi (Suisse Reborn), Miss Myolie Wu (Dr. Bauer), Miss Elanne Kwong (WOWWOW), Miss Elaine Yiu and Mr. Louis Cheung (Dr. Shafter), and Miss Tracy Chu (Yumei). Each iconic ambassador is professional in different aspects with personality. They truly demonstrated their unique charm and chic with Bonjour's prestigious products accordingly and turned them from luxurious items to part of people's daily lives. Through celebrities' endorsement, the Group successfully gained the loyalty and trusts from the customers.

During the review period, marketing expenditures of the Group recorded decrease of 30.2%, amounted to HK\$11.3 million from HK\$16.2 million compared to the same period in 2015. The Group believes that by upgrading products and enhancing service quality can help it achieve a strong success in the industry and strengthen its close co-operative relationship with domestic and regional exclusive distributors in long run.

Talents Retaining and Training

Regardless of intensified competition in the industry, Bonjour was able to obtain a balance between retaining talents as well as controlling the cost. As usual, the Group provided comprehensive and ongoing staff training and attractive package to our colleagues. We believe that products quality and top services are the key to success and the Group will continue to ensure excellent management system and encouraging working environment for employees to strive for further business development. During the review period, the staff cost-to-turnover decreased from 13.3% to 12.4%.

Outlook

Hong Kong Retail Industry to Worsen in 2016

The global market has been facing a lot of pressure in the review period. While the International Monetary Fund recently trimmed its outlook for global growth, lowering it to 3.2% from the 3.4% forecast in January, China's economic growth also slowed in the first quarter of 2016 to 6.7%. The rate was the slowest since the first quarter of 2009, when growth sank to 6.2% during the worst of the global crisis. In addition to the further depreciation of the RMB, it is expected to see another difficult year unfold.

The retail industry in Hong Kong itself is also facing more fundamental challenges. Several unfavourable factors, including fewer visitors from the Mainland, strong Hong Kong dollar, and intense competition of neighbouring regions on currency, etc. have brought negative impacts on tourists' spending and trend of domestic consumption. As China is being a key driver of the retail industry, Retail Management Association is projecting a further decline in retail sales.

Enhancing brand's competitiveness was also Bonjour's effective strategy to minimize the foreseeable negative impact under global economic doldrums. The Group relocated and improved the efficiency of their stores, improved products and service quality, and cleared products at a discount rate through their solid foundation and leading market status. The Group will remain cautious about their future plans, and continue to seek opportunities to grow in the current circumstances.

Rental and Store Network

Under the circumstances of economic downturn, the Group benefited from the drop of rental and property prices. The practice could ease rental pressure, save operational costs, improve store quality without hurting the brand's image. However, as stated above, such correction will normally come later than the effect in the drop of turnover and the correction rate of rent is expected to be much higher than the rate of turnover. The Group will keep on being prudent and careful in the network expansion strategy in future.

Moving forward with E-Commerce and O2O Business Model

Booming online shopping and payment channels will remain a solution to overcome the obstacles of changing consumer behaviour and spending patterns. A rising number of domestic and Mainland customers are accustomed to buying online; therefore, e-commerce has become a major part of our distribution network. In light of the promising trend, the Group will place a key focus on e-commerce opportunity in its retail business by proactively collaborating with more online partners, offering further discounts and special promotion online. The Group will make effort in providing customers around the globe to enjoy a safe and efficient shopping environment.

Among many O2O initiatives, the Group regards mobile Apps and mobile connectivity as the rising business opportunities. Globally, the number of devices per person has reached 3.64 as of February 2016 according to GlobalWebIndex. The rise of multiple devices will make mobile advertising an easier task. It could also make the active shoppers' experience as enjoyable and efficient as possible because in-store purchase with mobile payment is highly convenient. Even those inactive shoppers would easily find a Bonjour's store in a click away through the application of the App's location-based marketing.

Meanwhile, the Group is preparing the "Bonjour Apps" and is expected to launch in the second half of the year. With this new development, Bonjour will be able to further reduce the costs of opening physical stores, increase operating efficiency, build competitiveness and enhance total retail sales. Apart from the main online partners Tmall, Alipay and WeChat, Bonjour will continue to deliver latest news and sales offers through other social media, such as Facebook, Weibo, etc.

Financial Review

Liquidity and Financial Resources

As at 30 June 2016, the Group's cash and bank deposits amounted to HK\$43.7 million (31 December 2015: HK\$103.5 million). The Group's bank borrowings, loan from related company and finance lease payables as at 30 June 2016 were HK\$519.2 million (31 December 2015: HK\$537.3 million), out of which, HK\$290.2 million (31 December 2015: HK\$151.5 million) were repayable within next 12 months.

The Group's gearing ratio as at 30 June 2016 was 0.561 (31 December 2015: 0.498), and was calculated based on the Group's bank and other borrowings and finance lease payables, divided by total equity of HK\$925.1 million (31 December 2015: HK\$1,078.0 million). Total liabilities to shareholders funds was 90.2% (31 December 2015: 82.5%). The current ratio of the Group as at 30 June 2016 was 0.74 (31 December 2015: 1.01).

The Group recorded net current liabilities amounted to HK\$148.3 million as at 30 June 2016 (31 December 2015: net current assets amounted to HK\$3.9 million). Among this HK\$148.3 million, around HK\$138.0 million are loan from a related company which the Group may negotiate to extend it in near future. The Group also has an available-for-sale financial assets amounted to HK\$464.0 million which has been recorded as non-current assets. There is no restriction for any disposal of these non-current assets. In case the Group needs any liquid assets to support the operations, the Group can consider disposing part or even all of it.

The Group services its debt primarily through the cash earned from its operation and the Board believes that the Group has maintained sufficient working capital for its operation and future expansion.

Cash Flow

Net cash outflow from operations for the Period was HK\$49.4 million (2015: HK\$41.9 million). The loss before tax was HK\$27.9 million. The total amount of non-cash items amounting to HK\$25.1 million (mainly depreciation expense) and was net off with a net decrease in working capital of HK\$46.4 million.

Net cash outflow from investing activities for the Period was HK\$2.8 million (2015: HK\$77.8 million), which mainly represented capital expenditure on purchase of fixed assets in the Period.

Net cash outflow from financing activities for the Period was HK\$6.9 million (2015: outflow HK\$71.7 million), which mainly represented dividends paid and repayment of bank borrowings during the Period.

Contingent Liabilities

As at 30 June 2016, the Group had contingent liabilities totaling HK\$4.9 million (31 December 2015: HK\$4.9 million) which mainly represented guarantee given by bank for rental payment to landlord and vendors.

Foreign Exchange and Bank Borrowing Interest Rate Exposure

The Group has limited exposure to foreign fluctuations as most of its assets, receipts and payments are principally denominated in Hong Kong dollars, MOP and Renminbi, with a few denominated in United States dollars and Japanese Yen. As at 30 June 2016, none of the Group's bank borrowings was in foreign currency. The Group's bank borrowings were on floating rate basis at either bank prime rate or short-term inter-bank offer rates. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign exchange exposure by forward foreign exchange contracts.

As at 30 June 2016, the Group had short-term bank borrowings amounting to HK\$115.0 million (2015: HK\$100.0 million) and long-term bank borrowings amounting to HK\$260.5 million (2015: HK\$292.5 million).

Capital Structure

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

The total number of issued shares of the Company was 3,412,566,000 as at 30 June 2016.

Charge on Group Assets

As at 30 June 2016, certain of the Group's assets with a net book value of approximately HK\$683.7 million (31 December 2015: HK\$691.7 million) were pledged to secure banking facilities granted to the Group.

Material Acquisition or Disposal of Subsidiaries and Associated Companies

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

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 2016, the Group had approximately 1,041 (2015: 1,183) full-time and part-time employees in both Hong Kong and Macau. Staff costs including directors' emoluments for the Period were HK\$125.2 million (2015: HK\$152.2 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 to declare an interim dividend of HK0.1 cent (2015: HK0.1 cent) per ordinary share for the Period to be payable on or around 12 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company on 15 September 2016.

Closure of Register of Members

The register of members of the Company will be closed from 12 September 2016 to 15 September 2016, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the interim dividend of HK0.1 cent per ordinary share of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on 9 September 2016.

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 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 2015 to 30 June 2016, which can be terminated by either party giving not less than one month's notice in writing. On 20 May 2016, 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 2016 to 30 June 2017.

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 2016 to 30 June 2017, 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 CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance subsisting during the Period to which the Company or any of its subsidiaries was a party.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 code provision A.2.1 which is explained in the following relevant paragraph.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive 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. 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 an audit committee (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

Hong Kong, 26 August 2016

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