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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 2022

References are made to (i) the announcement of Bonjour Holdings Limited (the “**Company**”, together with its subsidiaries, “**Bonjour**” or the “**Group**”) dated 21 March 2022 in relation to, among other things, the publication of the unaudited annual results of the Group for the year ended 31 December 2021; (ii) the announcement of the Company dated 31 March 2022 in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (the “**Unaudited Annual Results Announcement**”); (iii) the announcements of the Company dated 26 April 2022, 28 April 2022, 2 May 2022 in relation to the change of dates of the meeting of the board (the “**Board**”) of the directors (the “**Director(s)**”) of the Company for the purposes of, among other things, considering and approving the audited annual results of the Group for the year ended 31 December 2021 (the “**Audited Results**”) and its publication; (iv) the announcements of the Company dated 12 May 2022, 18 May 2022, 27 May 2022, 1 June 2022 and 12 June 2022 in relation to the further delay in publication of the Audited Results and the Company’s annual report for the year ended 31 December 2021 (the “**Annual Report**”); (v) the announcements of the Company dated 10 June 2022 and 20 June 2022 in relation to the change of auditor; (vi) the announcements of the Company dated 26 August 2022, 30 September 2022, 31 October 2022, 30 November 2022, 30 December 2022 and 31 January 2023 in relation to, among other things, the further delay in publication of the Audited Results and the Annual Report, further postponement of the board meeting, delay in publication of the interim results of the Group for the six months ended 30 June 2022 (the “**Interim Results**”) and the continued suspension of trading in the shares of the Company; and (vii) the announcement of the Company dated 19 September 2022 in relation to the resumption guidance for resumption of trading in the shares of the Company (the “**Resumption Guidance**”) as set out in the letter from the Stock Exchange dated 15 September 2022 and the quarterly update on status of resumption (collectively, the “**Announcements**”).

The Board hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Period**” or “**Review Period**”), together with comparative figures for the corresponding period in 2021. The Interim Results have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
Turnover	2	121,488	347,807
Cost of goods sold		<u>(96,881)</u>	<u>(310,370)</u>
Gross profit		24,607	37,437
Other income	4	5,663	21,154
Gain on disposal of subsidiaries	5	341,929	–
Distribution costs		(8,456)	(14,368)
Administrative expenses		(84,826)	(117,402)
Other operating expenses		<u>(89)</u>	<u>(26,897)</u>
Profit/(Loss) from operations		278,828	(100,076)
Finance costs	6	<u>(26,320)</u>	<u>(22,080)</u>
Profit/(Loss) before tax		252,508	(122,156)
Income tax expense	7	<u>–</u>	<u>(7)</u>
Profit/(Loss) for the period	8	<u>252,508</u>	<u>(122,163)</u>
Profit/(Loss) for the period attributed to:			
Owners of the Company		252,508	(122,143)
Non-controlling interests		<u>–</u>	<u>(20)</u>
		<u>252,508</u>	<u>(122,163)</u>
Earnings/(Loss) per share	9		
Basic and diluted		<u>HK7.2 cents</u>	<u>HK(3.6) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(Loss) for the period	252,508	(122,163)
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity instruments at fair value through other comprehensive income (“FVTOCI”)	3,374	14,722
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising on the translation of foreign operations	(7)	(78)
Other comprehensive income for the period, net of tax	3,367	14,644
Total comprehensive income/(expense) for the period	255,875	(107,519)
Total comprehensive income/(expense) in the period attributed to:		
Owners of the Company	255,875	(107,498)
Non-controlling interests	–	(21)
	255,875	(107,519)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	1,752	2,254
Right-of-use assets	11	67,360	13,673
Goodwill		–	–
Other intangible assets		–	–
Rental and utility deposits		5,129	5,129
Financial assets at FVTOCI		73,659	71,172
Investment in a joint venture	13	351,412	–
Investment in an associate		–	–
		499,312	92,228
Current assets			
Inventories		17,910	26,373
Trade receivables	14	3,942	4,082
Rental and utility deposits		10,591	15,723
Prepayments, deposits and other receivables		32,090	20,349
Bank and cash balances		79,256	41,834
		143,789	108,361
Assets classified as held for sale		–	498,454
		143,789	606,815
Current liabilities			
Trade payables	15	17,918	16,044
Other payables, deposits received and accrued charges		134,737	127,311
Lease liabilities		20,135	21,150
Amounts due to former related parties		35,490	35,490
Bank and other borrowings	16	44,373	171,513
Current tax liabilities		2,732	2,732
		255,385	374,240
Liabilities directly associated with assets classified as held for sale		–	287,914
		255,385	662,154
Net current liabilities		(111,596)	(55,339)
Total assets less current liabilities		387,716	36,889

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		103,848	6,831
Other borrowings	16	25,301	25,975
Long service payment liabilities		1,296	1,296
		<u>130,445</u>	<u>34,102</u>
Net assets		<u>257,271</u>	<u>2,787</u>
Capital and reserves			
Share capital	17	35,126	35,126
Reserves		222,145	(32,339)
Equity attributable to owners of the Company		257,271	2,787
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>257,271</u>	<u>2,787</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Merger reserve <i>HKS'000</i>	Share warrant reserve <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Financial assets at FVTOCI reserve <i>HKS'000</i>	Convertible loans reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
Six months ended 30 June 2022												
At 1 January 2022 (audited)	35,126	227,902	1,181	415	-	(887)	(7,309)	23,428	(277,069)	2,787	-	2,787
Issuance of share warrants	-	-	-	-	22,037	-	-	-	-	22,037	-	22,037
Redemption of convertible loans	-	-	-	-	-	-	-	(23,428)	-	(23,428)	-	(23,428)
Transactions with owners	-	-	-	-	22,037	-	-	(23,428)	-	(1,391)	-	(1,391)
Loss for the Period	-	-	-	-	-	-	-	-	253,508	253,508	-	253,508
Other comprehensive income for the period	-	-	-	-	-	(7)	3,374	-	-	3,367	-	3,367
Total comprehensive income	-	-	-	-	-	(7)	3,374	-	253,508	256,875	-	256,875
At 30 June 2022 (unaudited)	<u>35,126</u>	<u>227,902</u>	<u>1,181</u>	<u>415</u>	<u>22,037</u>	<u>(894)</u>	<u>(3,935)</u>	<u>-</u>	<u>(23,561)</u>	<u>258,271</u>	<u>-</u>	<u>258,271</u>
Six months ended 30 June 2021												
At 1 January 2021 (audited)	34,126	209,902	1,181	415	-	(607)	(15,015)	-	(57,836)	172,166	(3,618)	168,548
Equity components of convertible bonds	-	-	-	-	-	-	-	27,855	-	27,855	-	27,855
Transfer of gain on disposal of financial asset at FVTOCI	-	-	-	-	-	-	(621)	-	621	-	-	-
Transactions with owners	-	-	-	-	-	-	(621)	27,855	621	27,855	-	27,855
Loss for the Period	-	-	-	-	-	-	-	-	(122,143)	(122,143)	(20)	(122,163)
Other comprehensive income for the period	-	-	-	-	-	(77)	14,722	-	-	14,645	(1)	14,644
Total comprehensive income	-	-	-	-	-	(77)	14,722	-	(122,143)	(107,498)	(21)	(107,519)
At 30 June 2021 (unaudited)	<u>34,126</u>	<u>209,902</u>	<u>1,181</u>	<u>415</u>	<u>-</u>	<u>(684)</u>	<u>(914)</u>	<u>27,855</u>	<u>(179,358)</u>	<u>92,523</u>	<u>(3,639)</u>	<u>88,884</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(51,662)	7,274
Net cash inflow from investing activities	440,059	8,953
Net cash (outflow)/inflow from financing activities	(350,968)	10,940
	<hr/>	<hr/>
Increase in cash and cash equivalents	37,429	27,167
Cash and cash equivalents at 1 January	41,834	20,288
Effect of foreign exchange rate changes	(7)	(78)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>79,256</u>	<u>47,377</u>
Analysis of cash and cash equivalents		
– Bank and cash balances	<u>79,256</u>	<u>47,377</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES 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 for the six months ended 30 June 2022 (the “Period”) should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021. 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 2021 except for the adoption of the below new accounting policies, critical judgements and key sources of estimation uncertainty as a result of the completion of the disposal of subsidiaries (note 5):

(a) Share warrants

Accounting policies not included in the Group’s annual financial statements for the year ended 31 December 2021

Share warrants which entitle the holder to convert the warrants into a fixed number of equity instruments at a fixed conversion price are accounted for as equity instruments. At the date of issue, the difference between the proceeds and its fair value is recognised in profit or loss with a corresponding increase in a reserve within equity. Upon the exercise of the warrants, the resulting ordinary shares issued are recorded as additional share capital.

Critical judgements in applying accounting policies

The share warrants are accounted as equity instruments, with the difference between the proceeds and its fair value is recognised in profit or loss with a corresponding increase in a reserve within equity. In making this judgement, the Directors of the Company have taken into account the commercial rationale for the issuance of share warrants, that upon redemption of the convertible bonds, the Company issued the share warrants to the subscriber of the convertible bonds, conferring rights to subscribe shares of the Company and for serving as a necessary and suitable incentive for the subscriber to consent to the disposal (note 5), and waive all its rights and claims under the deed of undertaking upon early redemption of the convertible bonds.

Key sources of estimation uncertainty

Estimation of fair value of share warrants

At the issuance date of the share warrants, the fair value is determined based on the valuation performed by an independent qualified professional valuer. The valuer determines the fair value of the warrants with valuation technique which involve significant unobservable inputs. In relying on the valuation, management has exercised its judgement and has reviewed the independent valuation and is satisfied that the valuation method is reflective of the current market conditions and has compared the valuation with its own assumptions.

Favourable or unfavourable changes to these assumptions used in the valuation would result in changes in the fair value of the Group’s share warrants and corresponding adjustments to the amounts recognised.

(b) **Joint ventures**

Accounting policies not included in the Group's annual financial statements for the year ended 31 December 2021

Joint ventures are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in a joint venture is accounted for in the condensed consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in condensed consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Critical judgements in applying accounting policies

In the Group's condensed consolidated financial statements, the Group's investment in the Fund (as defined in note 13) is accounted for as an investment in a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Although the Group has 75% interest in the Fund and contractual right to appoint two out of five members in the Fund's investment committee, the Group's investment in the Fund is accounted for as a joint venture as the important decisions that has significant effect on the returns of the Fund require the unanimous approval of all members of the Fund's investment committee.

In the Period, the Group has adopted all the new and amended 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 2022. 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 Period and prior years.

The Group has not applied the new and amended 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 and amended HKFRSs would have a material impact on its results of operations and financial position.

Going concern assessment

The Group incurred a net cash outflow from operating activities of HK\$51,662,000 during the six months ended 30 June 2022 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$111,596,000. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited condensed consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (a) The ultimate controlling shareholder, Mr. Chen Jianwen has agreed to continue to support financially the operations of the Group to meet all third-party obligations for at least the ensuing twelve-month period after 31 December 2021.
- (b) The Group has taken various cost control measures to tighten the costs of operation including closing down under-performing retail stores.
- (c) The Group is actively disposing the financial assets at FVTOCI to improve the Group's liquidity position.
- (d) The Group is actively negotiating with external parties and banks to obtain new sources of financing to finance the Group's working capital and improve the Group's liquidity position.

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

2. TURNOVER

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contract with customers within the scope of HKFRS 15		
Wholesaling and retailing of beauty, health-care and lifestyle products	46,719	99,721
Wholesaling of technology products	74,769	248,086
	121,488	347,807
Timing of revenue recognition		
Products transferred at a point in time	121,488	347,807

3. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) has been identified as the Company’s executive directors. During the year ended 31 December 2021, the executive directors have identified “wholesaling of technology products” as a reporting segment in addition to “wholesaling and retailing of beauty, health-care and lifestyle products”.

(a) Business segments

	Wholesaling and retailing of beauty, health-care and lifestyle products <i>HK\$'000</i>	Wholesaling of technology products <i>HK\$'000</i>	Unallocated corporate assets and liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2022				
(unaudited)				
Segment revenue	46,719	74,769	–	121,488
Segment cost of sales	<u>(25,281)</u>	<u>(71,600)</u>	<u>–</u>	<u>(96,881)</u>
Segment gross profit	<u>21,438</u>	<u>3,169</u>	<u>–</u>	<u>24,607</u>
As at 30 June 2022 (unaudited)				
Other segment information				
Segment assets	201,571	35,536	405,994	643,101
Segment liabilities	<u>(257,718)</u>	<u>(33,609)</u>	<u>(94,503)</u>	<u>(385,830)</u>
For the six months ended 30 June 2021				
(unaudited)				
Segment revenue	99,721	248,086	–	347,807
Segment cost of sales	<u>(65,190)</u>	<u>(245,180)</u>	<u>–</u>	<u>(310,370)</u>
Segment gross profit	<u>34,531</u>	<u>2,906</u>	<u>–</u>	<u>37,437</u>
As at 31 December 2021 (audited)				
Other segment information				
Segment assets	686,261	12,782	–	699,043
Segment liabilities	<u>(696,256)</u>	<u>–</u>	<u>–</u>	<u>(696,256)</u>

(b) **Disaggregation of revenue from contracts with customers**

In the following table, revenue is disaggregated by timing over revenue recognition (under HKFRS 15). The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Wholesaling and retailing of beauty, health-care and lifestyle products <i>HK\$'000</i>	Wholesaling of technology products <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2022 (unaudited)			
– At a point in time	46,719	74,769	121,488
For the six months ended 30 June 2021 (unaudited)			
– At a point in time	99,721	248,086	347,807

(c) **Geographical information**

The Group's revenue from external customers by location of operations and information about its non-current assets (other than financial instruments and investment in a joint venture) by location of assets are detailed below:

	Revenue		Non-current assets	
	Six months ended 30 June		As at	As at
	2022	2021	30 June	31 December
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	115,965	335,622	65,184	15,913
Macau	4,932	12,181	3,925	10
PRC except Hong Kong and Macau	591	4	3	4
Consolidated total	121,488	347,807	69,112	15,927

(d) **Revenue from major customers**

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Arise from wholesaling of technology products:		
Customer A	–	115,811
Customer B	–	55,235
Customer C	30,345	–
Customer D	23,029	–
Customer E	21,395	–

4. OTHER INCOME

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Bank interest income	–	30
Rental income	56	2,417
Government subsidies	359	–
Lease incentives	–	13,829
Gain on termination of leases	–	2,516
Gain on disposal of property, plant and equipment	4,510	–
Exchange gain	65	–
Sundry income	673	2,362
	<u>5,663</u>	<u>21,154</u>

5. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries with loss of control

On 29 June 2022, the Group disposed of its entire interest in Apex Centric Investment Limited (“Apex Centric”), an investment holding company. Apex Centric directly held and owned the entire interest of Apex Frame Limited (“Apex Frame”) (together, the “Disposal Group”), which was the legal and beneficial owner of the Property (as defined in the consolidated financial statements for the year ended 31 December 2021), for a total consideration of HK\$900,000,000.

Consideration received

	(Unaudited) HK\$'000
Consideration received in cash and cash equivalents	431,554
Investment in a joint venture (note 13)	351,412
Rental deposit for the Lease (as defined in note (ii))	4,500
Redemption of convertible bonds (note (i))	112,534
	<u>900,000</u>

Analysis of assets and liabilities of the Disposal Group over which control was lost

	(Unaudited) HK\$'000
Property, plant and equipment	496,298
Deferred tax liabilities	(1,413)
	<u>494,885</u>

Gain on disposal

	(Unaudited) HK\$'000
Total consideration	900,000
Net assets disposed of	(494,885)
Issuance of warrants (note i)	(22,037)
Lease (note ii)	(41,149)
	<u>341,929</u>

The gain on disposal is included in the face of condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

- (i) Immediately upon the completion of the Disposal (the “**Completion**”), (i) Apex Centric, through the joint venture (note 13), redeemed all the outstanding convertible bonds previously issued to Karfond Limited, a wholly-owned subsidiary of Far East Consortium (“**Karfond**”), at its principal amount of HK\$110,500,000 together with accrued and unpaid interest of approximately HK\$2,034,000; and (ii) the Company issued 581,578,947 unlisted warrants (the “**Warrants**”) conferring rights to subscribe for 581,578,947 shares to be issued by the Company upon exercise (the “**Warrant Shares**”) at the exercise price of HK\$0.19 per Warrant Share with an aggregate face value of HK\$110,500,000 to Karfond. The fair value of the Warrants amounted to HK\$22,037,000.
- (ii) Immediately upon the Completion, the Company entered into a tenancy agreement (the “**Tenancy Agreement**”), whereby the Company leased the Property for a term of four years commencing on the date of the Completion (the “**Lease**”). The annual rent payable by the Group will be HK\$27,000,000, HK\$27,810,000, HK\$28,644,300 and HK\$29,503,629 for the first, second, third and fourth year of lease. The amount of right-of-use assets retained by the Group and lease liabilities assumed by the Group under the Lease was HK\$53,354,000 and HK\$94,503,000, respectively. In pursuant to the Disposal and the Tenancy Agreement, an amount of HK\$4,500,000 of rental deposit was deducted from the consideration.

Net cash inflow on disposal of subsidiaries

	(Unaudited) HK\$’000
Consideration received in cash and cash equivalents (included under investing activities in condensed statement of cash flows)	431,554
Repayments of bank borrowings (included under financing activities in condensed statement of cash flows)	(371,000)
	60,554

6. FINANCE COSTS

	Six months ended 30 June	
	2022 (Unaudited) HK\$’000	2021 (Unaudited) HK\$’000
Interest expense on lease liabilities	1,461	7,436
Interest expense on bank and other borrowings	18,461	12,292
Interest expense on convertible loans	6,398	2,352
	26,320	22,080

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax	–	21
Deferred tax	–	(14)
	<u>–</u>	<u>7</u>

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Costs of goods sold	96,881	310,370
Depreciation of property, plant and equipment	675	3,681
Depreciation of right-of-use assets	15,888	51,458
Amortisation of other intangible assets	–	185
Write-off of property, plant and equipment	–	82
Allowance for inventories	–	15,000
Impairment loss on right-of-use assets	–	26,500
Net exchange losses	89	315
	<u>89</u>	<u>315</u>

9. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(Loss)		
Profit/(Loss) for the purpose of calculating basic earnings/(loss) per share	<u>252,508</u>	<u>(122,143)</u>
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>3,512,565,999</u>	<u>3,412,565,999</u>

The effects of conversion of the Group's outstanding convertible loans are anti-dilutive for the six months ended 30 June 2021.

The effects of conversion of the Group's outstanding warrants are anti-dilutive for the six months ended 30 June 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$1.3 million (2021: HK\$Nil).

11. RIGHT-OF-USE ASSETS

During the Period, the Group acquired right-of-use assets of approximately HK\$69.6 million (2021: HK\$10.3 million).

12. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2021: Nil).

13. INVESTMENT IN A JOINT VENTURE

As at
30 June 2022
(Unaudited)
HK\$'000

Cost of investment	351,412
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As at 30 June 2022, details of the Group's investment in a joint venture are as follows:

Name of joint venture	Form of business structure	Country/place of incorporation and business	Registered Capital	% of interest held	Principal activity
CR Business Innovation Investment Fund L.P. (the "Fund")	Exempted limited partnership	The Cayman Islands	HK\$550,000,000	75%	Property investment

14. TRADE RECEIVABLES

The Group's sales to customers are entered into on credit terms ranging from 30 to 120 days. The ageing analysis of trade receivables is as follows:

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade receivables		
0—30 days	200	384
31—60 days	14	595
61—90 days	14	61
91—120 days	12	134
Over 120 days	3,702	2,908
Total	3,942	4,082

15. TRADE PAYABLES

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
0–30 days	41	1,236
31–60 days	709	560
61–90 days	477	247
91–120 days	742	704
Over 120 days	15,949	13,297
	<u>17,918</u>	<u>16,044</u>

16. BANK AND OTHER BORROWINGS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Short-term bank borrowings	4,523	162,513
Other borrowings	65,151	34,975
	<u>69,674</u>	<u>197,488</u>

17. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2021 (audited), at 1 January 2022 and at 30 June 2022 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2021 (audited), at 1 January 2022 and at 30 June 2022 (unaudited)	<u>3,512,565,999</u>	<u>35,126</u>

18. CONTINGENT LIABILITIES

Litigations

As at 30 June 2022 and 31 December 2021, the Group has been involved in numerous ongoing litigations and claims concerning accrued rent of its retail shops and business disputes. The management has made sufficient provision for the accrued rent and business disputes as included in other payables, deposits received and accrued charges and amounts due to former related parties, and believes that a favorable settlement could be reached with the plaintiffs.

19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales to related companies	–	113
Rental income from a related company	–	1,080
	<u>–</u>	<u>1,080</u>

The former executive directors, Mr. Ip Chun Heng, Wilson and Ms. Chung Pui Wan were also the beneficial owners and directors of the related companies. On 29 June 2021, the Board resolved to remove of Mr. Ip Chun Heng, Wilson and Ms. Chung Pui Wan from the office as executive directors.

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	302	302
Basic salaries, allowances and benefits in kind	3,100	9,176
Retirement benefits scheme contributions	27	198
	<u>3,429</u>	<u>9,676</u>

20. EVENT AFTER THE REPORTING PERIOD

Winding up of Hop Fung Lung Limited (“HFL”)(Formerly known as Bonjour Cosmetic Wholesale Center Limited)

On 9 January 2023, a winding-up order was made by the High Court against HFL at the hearing of the Petition pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Official Receiver of Hong Kong has been appointed as the provisional liquidator of HFL. For further details of the winding-up, please refer to the announcements of the Company dated 9 January 2023 and 17 January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

For the six months ended 30 June 2022 (the “**Period**” or “**Review Period**”), Bonjour Holdings Limited (the “**Company**”) and its subsidiaries (collectively, “**Bonjour**” or the “**Group**”) recorded revenue of approximately HK\$121.5 million (2021: approximately HK\$347.8 million), representing a decrease of approximately 65.1% from the corresponding period of last year. There was a gain on disposal of subsidiaries amounting to HK\$341.9 million. This resulted in a profit for the Period of approximately HK\$252.5 million (2021: loss of approximately HK\$122.2 million). The Board has resolved not to declare any interim dividend for the Period (2021: Nil).

Market overview

Retail sales in Hong Kong are still severely affected by COVID-19 in the first six months of 2022. The repeated outbreaks of the epidemic and the variation of the virus strain have caused national governments to continuously implement travel restrictions and quarantine measures, resulting in an unprecedented reduction in global travel activities. According to the Hong Kong Tourism Board, in the first half of 2022 (from January to June), the total number of visitors to Hong Kong was 76,004. Although this was slightly more than the number of visitors of approximately 33,749 in the first half year of 2021, the figure largely fell short of 3.5 million in the first half year of 2020, and 55.9 million in the year of 2019. The significant decline in tourists to Hong Kong and the economic downturn during the prevalent period of epidemic have brought major difficulties and challenges to the retail industry.

The outbreak of the epidemic, social distancing rules and advancement in technology have significantly altered consumer behaviour. The business ecosystem has transformed from traditional retail to omni channel – fully integrating online and offline (O2O) retail experience. According to statistics, for the first half of 2022, it was provisionally estimated that the value of online retail sales in Hong Kong increased by 24.0% compared with the same period in 2021. The trend of online retail sales is growing. The core focus of retail transformation is the alignment and coordination among customer channels, operation processes, payment methods and supply chain management. Through effective electronic payment, efficient logistics support, e-Commerce is able to meet changing consumer needs and improve shopping experience such as enabling shopping at home at own leisure via mobile phone, computers or other electronic devices. Mobile e-commerce is enhanced with 5G networks available, increasing on-the-go internet speeds and facilitating more mobile e-commerce. Bonjour has applied 5G technology to broadcast live streaming of KOL outreach.

Business Review

The Group has commenced its business transformation from early 2020. On the product side, the Group expanded the product range from pure cosmetics products to ‘Beauty, Health & Lifestyle products, enhancing consumers experience including extension to cover technology products such as mobile phones. In terms of operations, the Group has leveraged on technology innovation to transform the traditional retail business to a new business ecosystem, of which the Group and all stakeholders including consumers, merchants and suppliers will benefit. This is achieved by (1) establishing an O2O system integrating offline with online operations to enhance consumers’ shopping experience (2) establishing a global eCommerce platform ‘HKMALL’ (香港貓) to serve Hong Kong merchants as well as overseas brands across 34 countries over 44 market platforms. (3) establishing an ecosystem to assist Hong Kong small and medium enterprises (SMEs) to digitally transform their traditional business into new business models.

New Retail O2O

With the continuation of the COVID-19 pandemic into 2022 and the border between Hong Kong and Mainland still remain under tight quarantine control, the number of tourist arrival continue to slump. With social distancing measures, people have turned to online shopping instead of going out to physical stores. International retail brands have also switched their focus to online sales. The Group was well aware of this trend and have made transformation plans. Since 2020 and continuing into 2022, the Group strategically optimised the number of retail stores and transformed them into O2O stores to provide consumers with new shopping experience while also saving rental costs. Underperforming stores are closed for better cost control. For existing stores, the Group has initiated negotiations with landlords for rental discounts and critically evaluate the need of tenancy renewal in each store. As of 30 June 2022, the Group operated 9 physical retail stores in Hong Kong and Macau. The Group will continue to monitor the rental market closely and review its store network for better cost control and more efficient operations. Further, the Group intends to explore new sources of income by utilising digital displays in and outside stores with the control system powered by Bonjour Technology Development Limited (“Bonjour Technology”), a wholly owned subsidiary of the Company. The Group will continue to leverage on technology to enhance the shopping experience of consumers to improve sales.

During the Review Period, the Group applied various leading new retail technologies, including live streaming, intelligent shopping guide, smart push, image search, voice search, and data bank, to its e-commerce platform Bonjour HKMALL (香港貓) (“HKMALL”), which greatly enhanced the online shopping experience for customers.

As of 30 June 2022, HKMALL covered 34 countries including the UK, the US, Canada, Australia, France and Singapore, across 44 market platforms in mainland China and overseas, including Tmall Global, Kaola, JD.com, Facebook and WeChat Mall etc.

HKMALL is an omni-channel e-commerce platform that not only sells products and branded merchandises with exclusive distributorship rights, but also assists small and medium enterprises (SMEs) in expanding their sales network via HKMALL efficiently and effectively to markets in the Greater Bay Area and overseas countries. The Group sells authentic goods, and offers SMEs an easy way of payment settlement, logistics support and data services, providing a fast track to SMEs to digitally transform their businesses.

With the fast rise of the KOL economy, the Group has its own direct broadcasting studio with an area of over 10,000 sq. ft. for KOLs to conduct sales on social media. As a result, the Group is able to enhance the interaction of consumer experience and customer loyalty, while accumulating online subscriptions and “Likes” to boost its turnover. As of 30 June 2022, the Group had conducted over 2,000 live streaming broadcasts across all platforms. The Group has cultivated more than 200 sales staff to become KOLs so far. The group also collaborated with various association to launch open competitions to nurture external KOLs. The gross merchandise value (GMV) of completed orders on O2O platform (including beauty products and technology products) amounted to approximately HK\$121.5 million for the Period.

Brand Management

Currently, the Group offers over 100,000 SKUs, and distributes over 100 well-known brands, including, exclusive distribution of Suisse Reborn, Dr. Bauer, Yumei, WOWWOW, Dr. Schafter and I.Skin Focus. Apart from skincare, fragrance, cosmetics, haircare and body-care, the Group also sourced healthcare and life style products all over the world. Recently, a variety of quality products are offered at competitive prices. The Group continuously pays close attention to the market trends and consumer behavior, and research on latest hot items to satisfy the ever-changing customers’ needs.

Strategic cooperation

During the Period, Bonjour Technology Development Limited (卓悅科技發展有限公司) (“**Bonjour Technology**”), a subsidiary of the Company, entered into a non-binding Memorandum of Understanding (“**Memorandum of Understanding**”) with Loving Home Foundation Ltd. (家園基金有限公司) (“**Loving Home Foundation**”) and Runovation Limited (潤維創坊有限公司) (“**Runovation**”), which represents a preliminary understanding between Bonjour Technology, Loving Home Foundation and Runovation in relation to a potential cooperation, to complement each other’s strengths, to achieve mutual benefits and win-win outcome.

According to the Memorandum of Understanding, Bonjour Technology, Loving Home Foundation and Runovation unanimously agreed to promote comprehensive cooperation partnership between the three parties, so as to provide all-round technology support, for local convenience stores operated under the Loving Home Foundation; to promote digital transformation of social welfare organisations in Hong Kong; and to enhance technology innovation and transformation, as well as to promote the development of local industries in Hong Kong and benefit the underprivileged community.

Based on the new concept of “Beauty, Health & Beautiful Life”, the Group has been actively promoting “technology + consumption” since 2020 and leading the new 5G digital economy. The Group has upgraded from a traditional beauty industry retailer to a global e-commerce company, and is committed to provide consumers with international general merchandise products and professional services, as well as to provide the best quality of e-commerce services for Hong Kong small and medium-sized enterprises.

Bonjour Technology, supported by the industrial digital innovation platform, has developed major businesses such as big data integration, industrial innovation incubation service, and science and technology investment, providing Hong Kong’s incubation of science and technology with platform support through the accumulation of various innovative resources, which in turn helps realise the industrialization of scientific and technological achievements, and realizing the strategic policy of Hong Kong industry going global.

The Memorandum of Understanding aims to promote the upgrade and transformation of local industries service to the community in Hong Kong, the transformation of technology innovations, benefit the general public and provide effective services for the grassroots citizens. The three parties agreed to enter comprehensive cooperation, carry out organisation transformation, strengthen the synergy mechanism for conducting industrial and technology innovation, which will bring significant opportunities. The Board believes that the Memorandum of Understanding will further promote the sustainable development and steady growth of the Company, provide profitability and bring considerable returns for the Shareholders.

Technology and Industry Innovation

Apart from its own development, the Group is also committed to providing SMEs with the best e-commerce services and all-rounded intelligent retail solutions, helping businesses to transform to digital and traditional industries to innovate. The Group not only supports businesses to streamline costs and improve efficiency, but also empowers customers to achieve operational excellence through the flexible use of the capabilities of the Bonjour Technology platform.

In order to build an effective ecosystem and leverage on partnership to accelerate growth, the Group entered into cooperation agreements with various strong strategic partners, including industry-leading companies and groups such as China Mobile Hong Kong, Huawei Cloud, Cyberport, ATOME, Hong Kong Science and Technology Youth Federation, and Hong Kong Federation of Education Workers, to drive for a win-win collaboration.

To enable traditional business to transform to new business models, the Group has established the “Hong Kong Industry Innovation Centre” (HKIIC), which aims to support the digital transformation of business by combining “industry + technology + capital”. The HKIIC also serves as the Hong Kong site of the “Guangdong Hongkong and Macau Youth Entrepreneurship Incubator”, offering one-stop services for office sharing, start-up incubation and acceleration, financing facilitation and ecosystem development. Both the Guangdong Hongkong and Macau Youth Entrepreneurship Incubator and the Hong Kong site were approved for inclusion into the Cyberport Accelerator Support Programme (CASP) as an accelerator recognised by Cyberport.

Exploring Beauty Business

During the Review Period, the Group developed beauty services led by experienced experts in the sector through the brand-new Suisse Reborn beauty center which will offer one-stop new experience of healthy lifestyle and beauty to customers. The first Suisse Reborn beauty centre was opened in June 2022. Further, the Group actively explored the possibility of expanding into aesthetic medical business under the development approach of “Beauty, Health & Beautiful Life”. Bonjour Health Limited (“**Bonjour Health**”), a wholly owned subsidiary of the Group, commenced strategic business discussion with leading aesthetic medical experts in Hong Kong to develop the aesthetic medical market. The Group expects to capture enormous opportunities in markets across the Greater Bay Area and even Asia with quality aesthetic medical services.

3C Product Business

In early 2021, the Company took an initiative to diversify its product line by tapping into the 3C product business and capturing its growth potential, as the 3C product business caught the Company’s interest by its high-turnover and large-volume nature, which was expected to generate a stable and growing profit for the Company as its business expanded.

As a pilot run and in agreement with the Service Companies, the 3C product business was conducted using a cost-plus pricing strategy, as this business model would provide the customers procured through the Service Companies with adequate incentives to buy and resell the Company’s 3C products, and hence ensure a stable profit for the Company.

In conducting the 3C product business, the Company acted as a “Principal” and it bore various transaction risks (i.e. credit risk, inventory risk, legal risk, etc.). With its established branding and goodwill, the Company operates as an essential and value-added party to the 3C product business. The Company’s reputation not only ensures a wider customer base for consumer products but also provides assurance to relevant suppliers and customers when securing orders.

Due to the logistic restrictions caused by the COVID-19 pandemic, the 3C product business was suspended in July 2021. As the COVID-19 lockdown restriction relaxed slightly in early 2022, the Company resumed its 3C product business using the same business model in March to July of the same year. However, due to the resurgence of COVID-19 cases and the subsequent lockdown measures imposed by the PRC government, the Company again had to suspend its 3C product business in August 2022. The 3C product business will resume when economic situation improves.

Outlook

Digital transformation reshapes all industries. Since commencement of business transformation from early 2020, the Group has continuously renovated its business model with the aim to produce sustainable growth and high net worth to the shareholders. Main focus of the Group has been ‘Technology+ Consumption’ to leverage on technology to accelerate consumption. This will continue and will expand to create an innovated business ecosystem not just for the Group but also a platform for all enterprises who would like to digitally transform their businesses.

The Group’s retail business is renovated via HKMALL. HKMALL is more than a Bonjour online shop, it is an eCommerce platform which allows merchants to set up their own e-shops seamlessly on HKMALL and sell merchandise online. HKMALL will be expanding its functions to provide one-stop services to the SMEs for them to operate their own e-shops on HKMALL. This will provide a pathway for SMEs in Hong Kong to digitally transform their traditional business quickly into new business model. As HKMALL is a global eCommerce platform, hence it will continue to offer services to the Group as well as our merchant partners to sell merchandise to 34 countries globally across 44 market platforms. Since the epidemic has permanently transformed the consumer behaviour to shop digitally, this will offer enormous business potential in HKMALL’s service offerings.

In terms of offline shopping experience, the Group will transform all physical stores into new retail O2O shops, empowered by big data and intelligent technology. This aims to provide brand new shopping experience to customers.

On product side, the Group will actively diversify its products to satisfy changing consumer needs and to create a “better life” for all, while building up its exclusive distributorship for better risk management and profitability.

Digital transformation applies not just to the front-line, but also in internal transaction processing. By using technology, internal processes and structure can be streamlined and become more efficient. This will help control the overall cost, and generate higher value per headcount. This will also help the organization to become “green” by saving physical resources via conducting transactions in a digital and paperless manner.

Overall, despite the headwinds to Hong Kong’s economic recovery resulting from the fifth wave of COVID-19 outbreak in the first quarter of 2022, the Group believes that Hong Kong will eventually overcome the epidemic with concerted efforts and its economy will thrive again. As the Group is well prepared in terms of new retail technology, e-commerce platform development and planning for aesthetic medical business, the Group will stage a comeback timely and provide better returns to its shareholders as soon as the epidemic ends or fades down.

Financial Review

Overview

Despite Hong Kong was entering recovery in 2022, the pace was very slow and gradual. In Mainland China, more stringent measures were implemented to control COVID-19, many major cities were facing ‘close down’ for several months. This has significantly affected Bonjour’s revenue sales which traditionally were reliant on Mainland visitors. Hence the overall turnover was decreased by approximately 65.1%. On the positive side, overall gross margins have improved for the six months’ period at 20.3% (2021: 10.8%). Gross margin for Wholesaling and retailing of beauty, health-care and lifestyle products was 45.9% (2021: 34.6%) and wholesaling of technology products was 4.2% (2021: 1.2%). The Group has managed to turnaround in its earnings by achieving a profit of approximately HK\$252.5 million (2021: loss of approximately HK\$122.2 million), comprising a gain on disposal of a subsidiary (see note 5 to the Financial Statements).

Bank and cash balance as at 30 June 2022 amounted to approximately HK\$79.3 million (31 December 2021: approximately HK\$41.8 million). The liquidity level will improve as proceeds came in from disposal of a subsidiary and property, plant and equipment to a third party at approximately HK\$900.0 million and HK\$6.0 million consideration respectively. Net current liabilities were increased from approximately HK\$55.3 million as at 31 December 2021 to approximately HK\$111.6 million as at 30 June 2022. The current ratio of the Group was also decreased from approximately 0.92 as of 31 December 2021 to approximately 0.56 as at 30 June 2022 as a result of assets held for sales being disposed. The Management of the Group has active plans to improve the financial results leveraging on digital transformation to achieve ultimate profitability as well as long term sustainable growth for the Group.

Liquidity and Financial Resources

As at 30 June 2022, the Group’s cash and bank deposits amounted to approximately HK\$79.3 million (31 December 2021: approximately HK\$41.8 million). The Group’s bank and other borrowings and lease liabilities (excluding liabilities associated with assets classified as held for sales) as at 30 June 2022 were approximately HK\$193.7 million (31 December 2021: approximately HK\$225.5 million), out of which, approximately HK\$64.5 million (31 December 2021: approximately HK\$192.7 million) were repayable within next 12 months. As at 30 June 2022, the net current liabilities were approximately HK\$111.6 million (31 December 2021: Net current liabilities of approximately HK\$55.3 million).

The Group’s net debt ratio as at 30 June 2022 was approximately 0.75 (31 December 2021: approximately 80.9), and was calculated based on the Group’s bank and other borrowings and lease liabilities (excluding liabilities associated with assets classified as held for sales), divided by total equity of approximately HK\$257.3 million (31 December 2021: approximately HK\$2.8 million). The current ratio of the Group as at 30 June 2022 was approximately 0.56 (31 December 2021: approximately 0.92).

Cash Flow

Net cash outflow from operating activities for the Period was approximately HK\$51.7 million (2021: inflow of approximately HK\$7.3 million). The profit before tax was approximately HK\$252.5 million (2021: loss before tax approximately HK\$122.2 million). The total amount of non-cash items amounting to approximately HK\$303.1 million (mainly comprise of depreciation expense and gain on disposal of a subsidiary) and there was a net increase in working capital of approximately HK\$10.9 million.

Net cash inflow from investing activities for the Period was approximately HK\$440.1 million (2021: inflow of approximately HK\$9.0 million), which mainly represented the proceeds from disposal of a subsidiary, repayment of rental and utility deposit and net proceeds from disposal of the financial assets at FVTOCI.

Net cash outflow from financing activities for the Period was approximately HK\$351.0 million (2021: inflow of approximately HK\$10.9 million), which mainly represented net repayment of borrowings, and proceeds from placing of bonds.

Foreign Exchange and Bank Borrowing Interest Rate Exposure

The Group has limited exposure to foreign exchange fluctuations given that most of its assets, receipts and payments are principally denominated in Hong Kong dollars, United States dollars, Macau Pataca and Renminbi with a few denominated in Japanese Yen and Euro. The Group will continue to monitor its foreign exchange receipts and payments and the gearing levels on an on-going basis and, if necessary, will hedge the foreign exchange exposure by forward contracts. As at 30 June 2022 and 31 December 2021, no bank borrowings were denominated in foreign currency.

As at 30 June 2022, the Group had bank and other borrowings (excluding liabilities associated with assets classified as held for sales) amounting to approximately HK\$69.7 million (31 December 2021: approximately HK\$197.5 million). The bank and other 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 or allot new shares. The total number of issued shares of the Company was 3,512,565,999 as at 30 June 2022.

Charge on Group Assets

As at 30 June 2022, no Group's assets (31 December 2021: approximately HK\$479.3 million) were pledged to secure banking facilities granted to the Group.

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

Very substantial disposal in relation to the disposal of the entire issued share capital of the Target Company; Major transaction in relation to investment in a fund; Issue of warrants under specific mandate; and Discloseable transaction in relation to the Tenancy Agreement

On 28 March 2022, the Company entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Company agreed to sell and CR Business Innovation Investment Fund L.P (the “**Fund**”) agreed to purchase one ordinary share (the “**Sale Share**”) of Apex Centric Investment Limited (a direct wholly-owned subsidiary of the Company, the “**Target Company**”) at an aggregate consideration of HK\$900,000,000, subject to the terms and conditions of the Sale and Purchase Agreement (the “**Disposal**”).

The Target Company directly holds and owns 100% of the issued shares of Apex Frame Limited (“**Apex Frame**”), which is the legal and beneficial owner of all those pieces or parcels of ground situated lying and being at Tsuen Wan, New Territories, Hong Kong and respectively registered in the Land Registry as LOT NO. 458 IN DEMARCATION DISTRICT NO. 443 AND LOT NO. 488 UB DEMARCATION DISTRICT NO.443 TOGETHER with the messuages erections and buildings thereon now known as NOS. 36-42 and NOS. 44-50 WANG WO TSAI STREET, Tsuen Wan, New Territories, Hong Kong (the “**Property**”).

On 28 March 2022, Bonjour Investment Management Limited (a wholly-owned subsidiary of the Company, “**Bonjour Investment**”), CR Capital Investment (Cayman) Limited (“**CRCI**”) (together with Bonjour Investment, the “**Limited Partner(s)**”) and CR Business Innovation Investment GP Company Limited (the “**General Partner**”), entered into a limited partnership agreement (the “**Limited Partnership Agreement**”) and a subscription agreement (the “**Subscription Agreement**”), pursuant to which the parties have agreed upon, among other things, that the Limited Partners shall contribute a maximum of HK\$550,000,000 to the Fund subject to the terms of the Limited Partnership Agreement. The principal investment of the Fund is the acquisition of the Property, which involves the Fund acquiring the Sale Share from the Company (the “**Investment**”).

Upon completion of the Disposal (“**Completion**”), (i) the Target Company would redeem all the outstanding convertible bonds previously issued to Karfond Limited, a wholly-owned subsidiary of Far East Consortium (“**Karfond**”), at its principal amount of HK\$110,500,000 together with accrued and unpaid interest up to and excluding the date of such redemption; and (ii) the Company would issue 581,578,947 unlisted warrants (the “**Warrants**”) conferring rights to subscribe for 581,578,947 shares to be issued by the Company upon exercise (the “**Warrant Shares**”) at the exercise price of HK\$0.19 per Warrant Share with an aggregate face value of HK\$110,500,000 to Karfond.

Pursuant to the Sale and Purchase Agreement, upon Completion, the Company (or its subsidiary/affiliate) and the Fund will enter into a tenancy agreement (the “**Tenancy Agreement**”), whereby the Fund will lease the Property to the Group for the Group’s use for a term of four years commencing on the date of the Completion (the “**Lease**”). The annual rent payable by the Group will be HK\$27,000,000, HK\$27,810,000, HK\$28,644,300 and HK\$29,503,629 for the first, second, third and fourth year of lease respectively during the term of the Tenancy Agreement. The Property will continue to be used by the Group as premises for its operation.

The Disposal, the Investment, issue of the Warrants and the Lease are contractually inter-conditional upon each other.

The Disposal, the Investment, the issue of the Warrants and the specific mandate to authorise the Directors to issue the Warrants and the Warrant Shares upon exercise thereof and the transactions contemplated thereunder were subject to approval by the shareholders of the Company, which was obtained at an extraordinary general meeting of the Company held on 27 June 2022. Completion of the Disposal, the Investment, the issue of the Warrants and the Lease took place on 29 June 2022.

For further details of the Disposal, the Investment, the issue of the Warrants and the Lease, please refer to (i) the announcements of the Company dated 28 March 2022, 30 May 2022 and 29 June 2022; (ii) the circular of the Company dated 7 June 2022; and (iii) the poll results announcement of the Company dated 27 June 2022.

Save as disclosed herein, 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 2022, 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\$73.7 million, accounting for approximately 11.5% of the Group’s total assets (31 December 2021: approximately HK\$71.2 million, accounting for approximately 10.2% of total assets). Throughout the Period, the Group only held one financial asset and the change on the fair value of such financial assets amounted to a gain of approximately HK\$3.4 million for the Period (2021: HK\$14.7 million). No impairment was therefore required as of 30 June 2022. The market value of the financial assets will be affected by the share prices 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 2022, the Group had approximately 211 (2021: approximately 441) full-time and part-time employees in Hong Kong, Macau and Mainland. Staff costs including Directors’ emoluments for the Period were significantly streamlined at approximately HK\$35.9 million (2021: approximately HK\$48.7 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/or discretionary bonuses will also be granted to eligible employees based on individual’s performance and upon management’s discretion. 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 (2021: Nil).

Event after the reporting period

Winding up of Hop Fung Lung Limited (“HFL”) (Formerly known as Bonjour Cosmetic Wholesale Center Limited)

On 9 January 2023, a winding-up order was made by the High Court against HFL at the hearing of the Petition pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Official Receiver of Hong Kong has been appointed as the provisional liquidator of HFL. For further details of the winding-up, please refer to the announcements of the Company dated 9 January 2023 and 17 January 2023.

Save as disclosed herein, no material events happened subsequent to the reporting period and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The board will consider plans for investments and capital assets which can improve the Company’s profitability and liquidity.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group has been involved in a number of ongoing litigations and claims arising from tenancy and business disputes. The management has sufficient provision to meet the claims arising from the said tenancy and business disputes, and believes that a favourable settlement could be reached with the respective claimants.

CHANGE OF AUDITOR

RSM Hong Kong (“RSM”) resigned as auditor of the Company with effect from 10 June 2022. On the same day, the Board, with the recommendation of the Audit Committee, appointed Grant Thornton Hong Kong Limited as the new auditor of the Company to fill the casual vacancy following the resignation of RSM and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcements of the Company dated 10 June 2022 and 20 June 2022.

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.

PLACING OF BONDS

On 2 August 2021 (after trading hours), the Company entered into a placing agreement (the “**Placing Agreement**”) with Venture Smart Asia Limited, the placing agent (the “**Placing Agent**”), pursuant to which the Placing Agent conditionally agreed to act as placing agent, on a best effort basis, for the purposes of procuring placees to subscribe in cash for the two-year 9% bonds with an aggregate principal amount of up to HK\$50,000,000 during the period commencing from the date of the Placing Agreement and terminating on the date falling on the expiration of six (6) months from the date of the Placing Agreement. Please refer to the announcement of the Company dated 2 August 2021 for details. On 31 January 2022, both parties agreed to extend the Placing Period to 31 July 2022, a letter of extension was signed.

REDEMPTION OF THE CONVERTIBLE BONDS AND ISSUE OF WARRANTS

As disclosed in the announcements of the Company dated 1 April 2021 and 9 April 2021, the Target Company issued the convertible bonds in the principal amount of HK\$129,500,000 (the “**Convertible Bonds**”) to Karfond Limited (the “**Subscriber**”) on 9 April 2021. On the same day, the Company, the Target Company, Apex Frame, Mr. Chen Jianwen and the Subscriber entered into a deed of undertaking (the “**Deed of Undertaking**”) whereby the Subscriber was granted a right of first refusal for the sale of the Property and/or the shares of the Target Company and Apex Frame, and a co-development right in respect of the Property, further details of which are disclosed in the announcement of the Company dated 1 April 2021.

Pursuant to the terms of the Convertible Bonds, the Disposal constituted an event which confers a right on the Subscriber to, at its option, require early redemption of the Convertible Bonds before its maturity date, which is 9 April 2026 (“**Early Redemption**”). On the other hand, pursuant to the terms of the Convertible Bonds, unless previously redeemed, converted or purchased and cancelled, the earliest date on which the Target Company may, at its option, redeem the outstanding Convertible Bonds is 9 April 2024.

The Directors considered that the issue of Warrants to the Subscriber at nil consideration would serve as a necessary and suitable incentive for the Subscriber to (i) consent to the Disposal, and (ii) waive all its rights and claims under the Deed of Undertaking upon Early Redemption, both of which are conditions precedent to the Disposal.

Therefore, upon the Fund paying the Subscriber the outstanding principal amount of HK\$110,500,000 together with accrued interest on behalf of the Target Company to redeem the Convertible Bonds in full pursuant to the Sale and Purchase Agreement, the outstanding Convertible Bonds were redeemed in full and the Subscriber’s consent to the Disposal became unconditional and effective, and on 29 June 2022, the Company has issued 581,578,947 unlisted warrants conferring rights to subscribe for 581,578,947 shares of the Company (the “**Warrants**”) upon full redemption of the Convertible Bonds.

The issue price of the Warrants is nil. The exercise price (subject to adjustment events set out in and in accordance with the terms and conditions of the Warrants) of the Warrants is HK\$0.19 per Warrant Share, which represents: (1) approximately 38.686% premium to the closing price of HK\$0.1370 per Share as quoted on the Stock Exchange on the date of the announcement of the issue of the Warrants; and (2) approximately 37.681% premium to the average closing price of HK\$0.1380 per Share for the last five consecutive Trading Days immediately preceding the date of the announcement of the issue of the Warrants.

For details of the issue of the Warrants, please refer to the announcements of the Company dated 28 March 2022, 21 April 2022, 6 May 2022, 20 May 2022, 30 May 2022, 27 June 2022 and 29 June 2022 and the circular of the Company dated 7 June 2022.

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.

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. Kwok Chi Shing, Mr. Lee Kwun Kwan and Mr. Yan Sherman Chuek-ning. Mr. Kwok Chi Shing 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (<http://corp.bonjourhk.com>) and the website of the Stock Exchange (www.hkexnews.hk). The interim report of the Group for the Period will be dispatched to the Company's shareholders and made available at the Company's website and Stock Exchange's website in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:00 p.m. on Thursday, 16 June 2022 pending the publication of, among other things, the Audited Results and remains suspended until the Company fulfills the Resumption Guidance. The Company has published the announcement on the Audited Results on the same date of publication of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 27 March 2023.

By order of the Board
Bonjour Holdings Limited
Chen Jianwen
Chairman and executive Director

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprised Mr. Chen Jianwen, Mr. Wan Yim Keung, Daniel and Ms. Chiu Lai Kuen, Susanna as executive Directors; Mr. Kwok Chi Shing, Mr. Lee Kwun Kwan and Mr. Yan Sherman Chuek-ning as independent non-executive Directors.