



騰邦控股有限公司 Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6880



020



INTERIM REPORT

2016

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Jingkai (*Chief Executive Officer*)
Mr. Yip Chee Lai, Charlie

Non-executive Directors

Mr. Zhong Baisheng (*Chairman*)
Ms. Zhang Yan

Independent non-executive Directors

Mr. Han Biao
Mr. Wong Lit Chor, Alexis
(appointed on 12 August 2016)
Mr. Li Qi
Mr. Liu Yaohui (resigned on 11 April 2016)

COMPANY SECRETARY

Mr. Tam Ka Tung

AUDIT COMMITTEE

Mr. Wong Lit Chor, Alexis
(appointed on 12 August 2016) (*Chairman*)
Mr. Han Biao
Mr. Li Qi
Mr. Liu Yaohui (resigned on 11 April 2016)

REMUNERATION COMMITTEE

Mr. Han Biao (*Chairman*)
Mr. Wong Lit Chor, Alexis
(appointed on 12 August 2016)
Mr. Li Qi
Mr. Liu Yaohui (resigned on 11 April 2016)

NOMINATION COMMITTEE

Mr. Han Biao (*Chairman*)
Mr. Wong Lit Chor, Alexis
(appointed on 12 August 2016)
Mr. Li Qi
Mr. Liu Yaohui (resigned on 11 April 2016)

AUTHORIZED REPRESENTATIVES

Mr. Huang Jingkai
Mr. Tam Ka Tung (appointed on 29 January 2016)
Mr. Yip Chee Lai, Charlie
(resigned on 29 January 2016)

COMPANY WEBSITE

www.tempushold.com

REGISTERED OFFICE

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Cayman Islands

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road
North Point
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial Bank Co, Ltd.

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of Tempus Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "Period"), together with relevant comparative figures for the six months ended 30 September 2015 and the accompanying explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the external auditors and the audit committee ("Audit Committee") of the Company. Unless the context otherwise requires, capitalised terms used in this interim report shall have the same meanings set out in the annual report of the Company dated 30 March 2016.

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 September 2015 (Unaudited)	Changes
Profitability data (HK\$'000)			
Revenue	253,515	207,629	22.1%
Gross profit	153,868	134,612	14.3%
Profit before tax	6,567	8,592	(23.6%)
Profit for the period	4,938	5,640	(12.4%)
Earnings per share — basic and diluted (HK\$)	0.01	0.02	(50.0%)
Gross profit margin	60.7%	64.8%	(4.1 ppt)
Profit before tax margin	2.6%	4.1%	(1.5 ppt)
Profit margin	1.9%	2.7%	(0.8 ppt)
Effective tax rate	24.8%	34.4%	(9.6 ppt)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	Changes
Assets and liabilities data (HK\$'000)			
Bank balances and cash	276,302	333,939	(17.3%)
Bank borrowings	7,961	8,557	(7.0%)
Net current assets	374,589	377,462	(0.8%)
Total assets less current liabilities	421,829	421,409	0.1%
Assets and working capital ratios/data			
Current ratio (times)	5.8	5.8	—
Gearing ratio (%)	1.6	1.8	(0.2 ppt)
Inventory turnover days	75.2	62.6	12.6
Trade receivables turnover days	47.2	36.9	10.3
Trade payables turnover days	64.3	65.2	(0.9)

FINANCIAL HIGHLIGHTS

Notes for key ratios:

Current ratio	Current assets/Current liabilities
Gearing ratio	Total borrowings/Total assets x 100%
Inventory turnover days	Average of beginning and ending inventory balances/Cost of sales x 183 or 365 days
Trade receivables turnover days	Average of beginning and ending trade receivables balances/Revenue x 183 or 365 days
Trade payables turnover days	Average of beginning and ending trade payables balances/Cost of sales x 183 or 365 days
Earnings per share	Profit attributable to shareholders/Weighted average number of ordinary shares
Gross profit	Revenue – (Finished goods purchased – Changes in inventories of finished goods + direct expenses attributable to purchase)
Gross profit margin	Gross profit/Revenue x 100%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group's total revenue reached approximately HK\$253.5 million, representing an increase of 22.1% from approximately HK\$207.6 million for the six months ended 30 September 2015. The increase in total revenue was mainly due to the additional revenue of approximately HK\$35.2 million from the newly commenced cross-border trading business. As the cross-border trading business was still in starting stage, the Group's profit for the Period still mainly relied on the existing health and wellness business. Profit for the Period was approximately HK\$4.9 million, representing a decrease of 12.5% as compared to approximately HK\$5.6 million for the six months ended 30 September 2015. The decrease in net profit was mainly due to less corporate and international sales which have a higher net profit margin compared with traditional sales channels.

Health and wellness business

Products

During the Period, the Group newly developed and launched two key products: the "II-Zone Luxe", an exquisite leisure massage chair and the "Row Bike", an innovative fitness equipment enabling rowing, horse riding and cycling exercises at the same time. Both the "II-Zone Luxe" and the "Row Bike" will be the key products in the second half of 2016. The key new product last year, the "ii Zone", remained the top selling product during the period, accounting for approximately 36.3% of the total sales of the Group's health and wellness business.

Sales Channel

The Group has diversified sales channels including (i) traditional sales channels such as retail stores and consignment counters; and (ii) proactive sales channels such as corporate sales, international sales, roadshow counters and internet sales.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) *Traditional sales channels*

During the Period, the traditional sales channel generated approximately 72.2% of the total revenue from the health and wellness business (six months ended 30 September 2015: 57.7%). The increase in percentage of sales in traditional sales channels was mainly due to strong retail sales performance and considerable decrease in the sales of corporate and international sales channels. As at 30 June 2016, the Group operated the following retail stores and consignment counters:

	No. of outlets as at		
	30 June 2016	31 December 2015	30 September 2015
Hong Kong & Macau			
– Retail stores	11	13	13
– Consignment counters	15	13	15
Mainland China			
– Retail stores	46	44	37
– Consignment counters	74	63	70
Singapore & Malaysia			
– Retail stores	14	12	12
– Consignment counters	3	7	7
Total	163	152	154

Retail business in Hong Kong & Macau

As at 30 June 2016, the Group maintained 26 retail outlets in Hong Kong and Macau. During the Period, the total retail revenue, including roadshow sales, in the region was approximately HK\$82.1 million, representing an increase of approximately HK\$21.8 million or 36.2% as compared to HK\$60.3 million for the six months ended 30 September 2015. The significant increase was mainly due to strong retail performance driven by the top selling product “ii Zone”.

Retail business in Mainland China

As at 30 June 2016, the Group operated 120 retail outlets in Mainland China, mainly located in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei region and Chengdu. During the Period, the total revenue contribution from retail business, including roadshow sales, in Mainland China was approximately HK\$92.1 million, representing an increase of approximately HK\$29.0 million or 46.0% as compared to approximately HK\$63.1 million for six months ended 30 September 2015. The significant increase was primarily due to (i) the contribution from the top selling product “ii Zone” as mentioned above; (ii) further expansion of retail outlets and (iii) more roadshow events being organised.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail business in Singapore & Malaysia

As at 30 June 2016, the Group operated 17 retail outlets in Singapore and Malaysia in total. During the Period, the total revenue contribution from retail business, including roadshow sales, in the region was approximately HK\$15.8 million, representing an increase of approximately HK\$1.4 million or 9.7% as compared to approximately HK\$14.4 million for the six months ended 30 September 2015.

(ii) **Proactive sales channels**

The proactive sales channels are important marketing and revenue generating channels for the Group. These channels not only facilitate penetration into new marketing segments with minimum fixed operating expenses, but also mitigate the impact of the escalating operating costs such as retail stores rental, staff costs and advertising expenses. During the Period, the Group's proactive sales channels generated approximately 27.8% of the total revenue from the health and wellness business (six months ended 30 September 2015: 42.3%).

The Group's corporate sales represent the sales of selected health and wellness products to corporate customers such as financial institutions, retail chain stores and professional bodies. International sales represent the export of the Group's health and wellness products to its international distributors/wholesalers for their distributions in overseas markets such as Eastern Europe and the Middle East. Roadshow counters are promotional and non-permanent counters which the Group operated in different department stores and shopping malls from time to time for marketing purposes as well as revenue generation. The Group's internet sales represent sales through an online group-buying platform and sales through its online stores at major B2C shopping platforms such as the Tmall.

Cross-border business

As disclosed in the Company's voluntary announcement dated 19 April 2016, the Group has commenced international trading of certain well-known branded milk powders as a starting point of its cross-border business development. The trading volume for the two months ended 30 June 2016 was approximately HK\$35.2 million and the average gross profit margin was approximately 3.5%. It is expected that the trading volume and scope of products will increase in the second half of 2016. The Group is also actively identifying appropriate investment or acquisition opportunities throughout the industrial chain of the cross-border business.

The following discussion is based on, and should be read in conjunction with, the financial information and notes thereto included in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

The Group's revenue for the Period increased by approximately HK\$45.9 million or 22.1% to approximately HK\$253.5 million for the Period from approximately HK\$207.6 million for the six months ended 30 September 2015, primarily as a result of the following:

(i) Sales by product category

	Six months ended 30 June 2016		Six months ended 30 September 2015		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Relaxation products	198,266	78.2	145,290	70.0	52,976	36.5
Fitness products	14,292	5.6	23,611	11.4	(9,319)	(39.5)
Other health & wellness products	5,730	2.3	38,728	18.6	(32,998)	(85.2)
Cross-border products	35,227	13.9	—	—	35,227	N/A
Total	253,515	100.0	207,629	100.0	45,886	22.1

During the Period, the sales of relaxation products increased by 36.5% from approximately HK\$145.3 million to approximately HK\$198.3 million whilst the sales of fitness and other health and wellness products decreased by approximately 39.5% and 85.2%, respectively. The increase in sales of relaxation products was primarily driven by the sales of the best seller "ii Zone". The decrease in sales of both fitness and other health and wellness products was mainly due to the absence of key new products launched during the Period. Sales of cross-border products arose from trading of certain branded milk powders.

(ii) Sales by channel

	Six months ended 30 June 2016		Six months ended 30 September 2015		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Retail stores	63,435	25.0	47,037	22.7	16,398	34.9
Consignment counters	94,084	37.1	72,657	35.0	21,427	29.5
Roadshow counters	32,452	12.8	18,986	9.1	13,466	70.9
Corporate sales	14,294	5.6	55,009	26.5	(40,715)	(74.0)
International sales	9,560	3.8	12,449	6.0	(2,889)	(23.2)
Internet sales	4,463	1.8	1,491	0.7	2,972	199.3
Sales from cross- border business	35,227	13.9	—	—	35,227	N/A
Total	253,515	100.0	207,629	100.0	45,886	22.1

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the sales from retail stores increased by 34.9% to approximately HK\$63.4 million as compared to approximately HK\$47.0 million for the six months ended 30 September 2015. The sales from consignment counters also increased by 29.5% to approximately HK\$94.1 million as compared to HK\$72.7 million for the six months ended 30 September 2015. The increase in sales at both retail stores and consignment counters was mainly due to the top selling leisure massage chair the “ii Zone”. The sales from roadshow counters significantly increased by 70.9% as more roadshow events were organised to promote the key products in Mainland China. However, corporate sales significantly decreased by 74.0% to approximately HK\$14.3 million from approximately HK\$55.0 million for the six months ended 30 September 2015. The decrease was primarily due to the comparative figure comprising a significant one-off corporate sales to a retail chain store, which could not be replicated during the Period. International sales also decreased by 23.2% to approximately HK\$9.6 million as a result of decreased orders from existing customers. Internet sales significantly increased by 199.3% to approximately HK\$4.5 million from approximately HK\$1.5 million for the six months ended 30 September 2015. The significant increase was mainly due to (i) relatively small comparative figure for the six months ended 30 September 2015; and (ii) more efforts and resources placed in the development of the internet sales channel.

Other income

Other income for the Period was approximately HK\$3.0 million, representing a decrease of approximately HK\$0.9 million or 23.1%, from approximately HK\$3.9 million for the six months ended 30 September 2015. The decrease was primarily due to a decrease in delivery income as a result of less sales requiring long distance cross-border delivery.

Other gains and losses

Other gains and losses for the Period was a gain of approximately HK\$0.1 million, which was a net foreign exchange gain. The other gains and losses of the six months ended 30 September 2015 represented a loss of approximately HK\$6.2 million, which mainly comprised a net foreign exchange loss of approximately HK\$5.6 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the Period were approximately HK\$16.7 million as compared with approximately HK\$11.9 million for the six months ended 30 September 2015. The increase was mainly attributed to the increase in inventories as at the Period end.

Finished goods purchased

Finished goods purchased for the Period was approximately HK\$112.3 million, representing an increase of approximately HK\$29.9 million or 36.3% from approximately HK\$82.4 million for the six months ended 30 September 2015. The increase was in line with the increase in sales and inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

The gross profit increased by approximately HK\$19.3 million or 14.3% to approximately HK\$153.9 million for the Period from approximately HK\$134.6 million for the six months ended 30 September 2015. The gross profit margin was 60.7%, representing the weighted average of the gross profit margins of 69.9% (six months ended 30 September 2015: 64.8%) from the health and wellness business and 3.5% from the cross-border business. The increase of 5.1 ppt in gross profit margin from health and wellness business was mainly due to the change of sales portfolio, inter alia, an increase of retails sales, which has a higher gross profit margin as compared to the decrease of corporate and international sales which has a lower gross profit margin.

Staff costs

Staff costs for the Period were approximately HK\$58.9 million, representing an increase of approximately HK\$15.5 million or 35.7%, from HK\$43.4 million for the six months ended 30 September 2015. The increase in staff costs was mainly due to the increase in overall headcount from 584 as at 31 December 2015 to 683 as at 30 June 2016.

Depreciation expense

Depreciation expense for the Period was approximately HK\$4.9 million, representing an increase of approximately HK\$0.9 million or 22.5% from approximately HK\$4.0 million for the six months ended 30 September 2015. The increase was mainly due to more fixed assets including IT systems and retail outlet renovation being subject to depreciation.

Finance costs

Finance costs for the Period and the six months ended 30 September 2015 were approximately HK\$0.1 million and HK\$0.2 million, respectively. The decrease was mainly due to less trade loans arranged during the Period.

Other expenses

Other expenses for the Period was approximately HK\$90.4 million, representing an increase of approximately HK\$11.8 million or 15.0%, from approximately HK\$78.6 million for the six months ended 30 September 2015. The increase was mainly attributable to various items, including an increase of approximately HK\$2.0 million in freight charges, an increase of approximately HK\$3.0 million in commissions paid to the department stores for more revenue generated from the consignment counters, and an increase of approximately HK\$2.5 million in rental expenses.

Profit before tax

Profit before tax for the Period was approximately HK\$6.6 million, representing a decrease of approximately HK\$2.0 million or 23.3% from approximately HK\$8.6 million for the six months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

Income tax expense for the Period and the six months ended 30 September 2015 was approximately HK\$1.6 million and HK\$3.0 million, respectively, representing an effective tax rate of approximately 24.8% and 34.4%, respectively. The decrease in the effective tax rate for the Period was primarily due to the fact that the Group's taxable profit was not reduced by the exchange loss incurred in the holding company during the six months ended 30 September 2015 and such exchange effect became minimal during the Period.

Profit for the period

As a result of the factors described above, the Group's profit for the period was approximately HK\$4.9 million, representing a decrease of approximately HK\$0.7 million or 12.5% from approximately HK\$5.6 million for the six months ended 30 September 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had bank balances and cash of approximately HK\$276.3 million (as at 31 December 2015: HK\$333.9 million). The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash used in operating activities was approximately HK\$52.3 million for the Period (six months ended 30 September 2015: HK\$14.6 million from operating activities), primarily reflecting the operating cash flows before movements in working capital of approximately HK\$11.6 million, as adjusted by an increase of approximately HK\$16.8 million in inventories, increase of approximately HK\$44.6 million in trade and other receivables, increase of approximately HK\$1.5 million in rental deposits and increase of approximately HK\$0.7 million in trade and other payables.

Investing activities

Net cash from investing activities was approximately HK\$40.1 million for the Period (six months ended 30 September 2015: HK\$12.5 million used in investing activities), primarily reflecting a net withdrawal of bank deposits original maturity over three months of HK\$40.0 million, which was partly offset by purchases of property, plant and equipment of approximately HK\$4.4 million.

Financing activities

Net cash generated used in financing activities was approximately HK\$4.4 million for the Period (six months ended 30 September 2015: HK\$117.8 million from financing activities), primarily reflecting dividend paid of approximately HK\$3.6 million and the net repayment of trust receipt loans of approximately HK\$0.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 June 2016 was approximately HK\$8.2 million as compared with approximately HK\$8.9 million as at 31 December 2015. The Group's gearing ratio slightly decreased from approximately 1.8% as at 31 December 2015 to approximately 1.6% as at 30 June 2016. The decrease was due to less trust receipt loans and obligations under finance leases at the Period end.

WORKING CAPITAL

As at 30 June 2016, the Group's inventories increased by approximately HK\$16.7 million or 51.2% to approximately HK\$49.3 million from approximately HK\$32.6 million as at 31 December 2015. The inventory turnover days was 75.2 days as at 30 June 2016 as compared with 62.6 days as at 31 December 2015. The increase in both inventories and inventory turnover days was mainly attributable to (i) increased stocks of new key products for upcoming promotional activities; (ii) more display units required as the total number of retail outlets increased; and (iii) commencement of cross-border business requiring a certain level of stock.

As at 30 June 2016, the Group's trade receivables increased by HK\$26.2 million or 50.1% to approximately HK\$78.5 million from approximately HK\$52.3 million as at 31 December 2015. The increase in trade receivables was mainly due to an increase in overall sales. The average trade receivables turnover days as at 30 June 2016 and 31 December 2015 were 47.2 days and 36.9 days, respectively. The increase in trade receivables turnover days was mainly due to (i) more sales from certain department stores which have a longer credit term, (ii) providing longer credit terms for certain international customers and (iii) additional trade receivables from the cross-border business.

As at 30 June 2016, the Group's trade payables decreased by approximately HK\$4.2 million or 11.3% to approximately HK\$32.9 million from approximately HK\$37.1 million as at 31 December 2015. The decrease was mainly attributable to more repayment of trade payables taking place before the Period end. The trade payables turnover days slightly decreased from 65.2 days as at 31 December 2015 to 64.3 days as at 30 June 2016.

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to approximately HK\$4.4 million, (six months ended 30 September 2015: HK\$8.7 million) which was used mainly in acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 30 June 2016, the Group had pledged certain assets, including leasehold land and buildings, investment property and bank deposits which in aggregate amounted to approximately HK\$24.6 million (as at 31 December 2015: HK\$24.8 million) for the purpose of securing certain banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

During the Period, there were no significant investment, material acquisition and disposals of subsidiaries by the Company.

On 27 July 2016, OTO (BVI) Investment Limited, a wholly owned subsidiary of the Company, entered into an agreement with an independent third party (the "Vendor") in relation to a conditional acquisition of 36% of the issued share capital of a company (the "Target Company") incorporated in Hong Kong and a conditional subscription of new shares of the Target Company at a consideration of RMB7,200,000 (equivalent to approximately HK\$8,300,000) and an injection of RMB10,000,000 (equivalent to approximately HK\$11,600,000) in cash for allotting and issuing new shares of the Target Company. Upon the completion of the proposed acquisition, the Company will hold approximately 57.3% of the enlarged issued share capital of the Target Company. The Target Company, together with its subsidiaries, are principally engaged in research and development and manufacturing of small massagers. Details of the proposed acquisition are set out in the announcement by the Company dated 27 July 2016. As at the date of this interim report, the Company and the Vendor are working on a restructuring of the Target Company, a key condition precedent of the completion. The Company will make announcement as and when appropriate to further update the progress of the acquisition.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 30 June 2016, the Group held United States dollars of approximately HK\$118.1 million, Renminbi of approximately HK\$21.9 million, Australian dollars of approximately HK\$4.5 million and Euros of approximately HK\$1.4 million, collectively representing 50.6% of the Group's total of bank balances, cash and pledged deposits. Certain transactions denominated in foreign currencies would also incur a foreign exchange risk. Since a majority of the Group's foreign currency is the United States dollar, which is pegged by the Hong Kong dollar, the Group is exposed to limited foreign exchange risk and hence does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had a total number of 683 (as at 31 December 2015: 584) full-time employees. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option schemes of the Company. The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The remuneration committee will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute MOP 30 per month for each employee to the retirement benefit plan to fund the benefits.

The employees employed in the PRC are members of the state-managed benefit scheme operated by PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

STRATEGIES AND PROSPECTS

The Directors notice that certain prevailing macro factors, such as the slowdown of China's economic growth, continuous weakening of retail market in Hong Kong and the increased capital market volatility, had been undermining the consumers' sentiment and buying power. Therefore, it is envisaged that the Group's businesses will be more challenging in the second half of 2016. Given the tougher peripheral factors abovementioned, the Group will strive for further business growth through (i) merger and acquisition in health and wellness and cross-border business sectors; (ii) breakthrough in internet sales and corporate sales channels in the Mainland China; and (iii) the key new products launched in June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND ISSUE OF NEW SHARES UNDER GENERAL MANDATE

The proceeds from the global offering of the Company, after deduction of related issuance expenses, amounted to approximately HK\$92.6 million. As at 30 June 2016, there was no change of the proposed use of net proceeds from the global offering. The unused proceeds were deposited in licensed banks in Hong Kong. Details of use of the net proceeds are set out in the table below.

	Net proceeds HK\$ mil	Utilised up to 30 June 2016 HK\$ mil	Unutilised as of 30 June 2016 HK\$ mil
Use of proceeds:			
Expansion of the Group's PRC operations	45.9	35.3	10.6
Advertising and promotional activities in the PRC	20.0	8.9	11.1
Renovation and redecoration of the existing retail outlets in Hong Kong and Macau	10.7	10.7	—
Enhancement of the research and development capability	8.0	8.0	—
Upgrade of the Group's information systems	8.0	8.0	—
	92.6	70.9	21.7

On 8 June 2015, the Company allotted and issued 28,000,000 ordinary shares of the Company ("Share(s)") to SCGC Capital Holding Company Limited at a price of HK\$4.88 per share under general mandate (the "Subscription"). The net proceeds from the Subscription of approximately HK\$136.5 million were expected to be used for the Group's fund reserve for potential investments. As at 30 June 2016, there was no change of the proposed use of net proceeds from the Subscription and the net proceeds from the Subscription had not been utilised.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as adopted by the Company, were as follows:

Long position in shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhong Baisheng	Interest of controlled corporation (note 1)	231,994,800	66.3%
Mr. Yip Chee Lai, Charlie	Beneficial owner	6,046,000	1.7%
	Interests of parties to an agreement to acquire interest of the Company (note 2)	17,984,000	5.2%
	Total	24,030,000	6.9%

Note:

- (1) These shares of the Company are held directly by Tempus Holdings (Hong Kong) Limited, which is wholly owned by Tempus Value Chain Limited ("Tempus Value Chain"). Tempus Value Chain is wholly owned by 深圳市騰邦物流股份有限公司 (Shenzhen Tempus Logistics Holding Ltd.*) ("Tempus Logistics"), which is in turn owned as to 65% by 騰邦集團有限公司 (Tempus Group Co. Ltd.*) ("Tempus Group") and 35% by 深圳市平豐珠寶有限公司 (Shenzhen Pingfeng Jewellery Ltd.*) ("Pingfeng Jewellery"). Pingfeng Jewellery is owned as to 60% by Tempus Group, 30% by Mr. Zhong Baisheng and 10% by Ms. Duan Naiqi. Tempus Group is owned as to 67% by Mr. Zhong Baisheng and 33% by Ms. Duan Naiqi. As at the date of this report, Tempus Holdings (Hong Kong) Limited held 231,994,800 shares of the Company, representing approximately 66.3% of the issued share capital of the Company.
- (2) Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yip Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun (the "Minority Shareholders") have been the persons acting in concert since 1 April 2008 as confirmed in a confirmatory agreement dated 1 February 2011. Accordingly, each of the Minority Shareholders is taken to be interested in the shares in which the Minority Shareholders are interested pursuant to the SFO.

* The English transliteration of the Chinese names of the PRC entities above, where indicated, is included for identification purpose only and is not the official English names for such PRC entities.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, to the best knowledge of the Directors, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Long position in shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Ms. Duan Naiqi (note 1)	Interests of controlled corporation	231,994,800	66.3%
SCGC Capital Holding Company Limited	Beneficial owner	28,000,000	8.0%
Shenzhen Capital Group Co., Ltd.	Interest of controlled corporation	28,000,000	8.0%
Mr. Yip Chee Seng (note 2)	Beneficial owner	5,774,000	1.7%
	Interests of parties to an agreement to acquire interests of the Company	18,256,000	5.2%
	Total	24,030,000	6.9%
Mr. Yip Gee Kuarn (note 2)	Beneficial owner	6,114,000	1.7%
	Interests of parties to an agreement to acquire interests of the Company	17,916,000	5.2%
	Total	24,030,000	6.9%
Mr. Yip Chee Way, David (note 2)	Beneficial owner	6,096,000	1.7%
	Interests of parties to an agreement to acquire interests of the Company	17,934,000	5.2%
	Total	24,030,000	6.9%

DISCLOSURE OF INTERESTS

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Tan Beng Gim (note 2)	Beneficial owner	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000	6.9%
	Total	24,030,000	6.9%
Ms. Chua Siew Hun (note 2)	Beneficial owner	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000	6.9%
	Total	24,030,000	6.9%

Note:

- (1) Pursuant to Part XV of the SFO, each of Ms. Duan Naiqi, Mr. Zhong Baisheng, Tempus Group, Pingfeng Jewellery, Tempus Logistics and Tempus Value Chain is deemed to be interested in the shares held by Tempus Holdings (Hong Kong) Limited. As at the date of this report, Tempus Holdings (Hong Kong) Limited held 231,994,800 shares of the Company, representing approximately 66.3% of the issued share capital of the Company.
- (2) The Minority Shareholders have been the persons acting in concert since 1 April 2008 as confirmed in a confirmatory agreement dated 1 February 2011. Accordingly, each of the Minority Shareholders is taken to be interested in the shares in which the Minority Shareholders are interested pursuant to section 318 of the SFO.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register kept by the Company under the SFO.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “Share Option Scheme”) on 25 November 2011 for the purpose of recognizing and acknowledging the contributions the eligible participants had or may have made to the Group. Details of the movements in share options to subscribe for shares in the Company under the Share Option Scheme during the Period are set out below:

Grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of Share Options					Outstanding as at 30 June 2016
				Outstanding	Granted	Exercised	Lapsed during	Cancelled	
				as at 1 January 2016	during the 6 months ended 30 June 2016	during the 6 months ended 30 June 2016	the 6 months ended 30 June 2016	during the 6 months ended 30 June 2016	
Directors									
Mr. Huang Jingkai	31.8.2015	31.8.2016 – 30.8.2019	3.38	90,000	—	—	—	—	90,000
		31.8.2017 – 30.8.2019	3.38	135,000	—	—	—	—	135,000
		31.8.2018 – 30.8.2019	3.38	225,000	—	—	—	—	225,000
Mr. Yip Chee Lai, Charlie	31.8.2015	31.8.2016 – 30.8.2019	3.38	90,000	—	—	—	—	90,000
		31.8.2017 – 30.8.2019	3.38	135,000	—	—	—	—	135,000
		31.8.2018 – 30.8.2019	3.38	225,000	—	—	—	—	225,000
Ms. Zhang Yan	31.8.2015	31.8.2016 – 30.8.2019	3.38	50,000	—	—	—	—	50,000
		31.8.2017 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
		31.8.2018 – 30.8.2019	3.38	125,000	—	—	—	—	125,000
Mr. Han Biao	31.8.2015	31.8.2016 – 30.8.2019	3.38	30,000	—	—	—	—	30,000
		31.8.2017 – 30.8.2019	3.38	45,000	—	—	—	—	45,000
		31.8.2018 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
Mr. Liu Yaohui	31.8.2015	31.8.2016 – 30.8.2019	3.38	30,000	—	—	(30,000)	—	—
		31.8.2017 – 30.8.2019	3.38	45,000	—	—	(45,000)	—	—
		31.8.2018 – 30.8.2019	3.38	75,000	—	—	(75,000)	—	—
Mr. Li Qi	31.8.2015	31.8.2016 – 30.8.2019	3.38	30,000	—	—	—	—	30,000
		31.8.2017 – 30.8.2019	3.38	45,000	—	—	—	—	45,000
		31.8.2018 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
Other eligible participants	31.8.2015	31.8.2016 – 30.8.2019	3.38	740,000	—	—	(30,000)	—	710,000
		31.8.2017 – 30.8.2019	3.38	1,110,000	—	—	(45,000)	—	1,065,000
		31.8.2018 – 30.8.2019	3.38	1,850,000	—	—	(75,000)	—	1,775,000
Total				5,300,000	—	—	(300,000)	—	5,000,000

Details of the Share Option Scheme of the Company as at 30 June 2016 are set out in Note 19 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The code provision A.6.7 of the Corporate Governance Code (“CG Code”) stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other important business engagements at the relevant time, Mr. Han Biao was unable to attend the annual general meeting of the Company held on 17 May 2016.

After Mr. Liu Yaohui resigned as an independent non-executive director, chairman of Audit Committee and a member of the nomination committee and remuneration committee of the Company with effect from 11 April 2016, (i) the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules; (ii) the Company failed to follow the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; (iii) the Company failed to follow the requirement under Rule 3.21 of the Listing Rules that at least one of the members of the audit committee must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise; (iv) the number of members of Audit Committee fell below the minimum number as required under Rule 3.21 of the Listing Rules; and (v) there was a vacancy for the chairman of the Audit Committee of the Company and the Company no longer fulfilled the requirement of establishing an audit committee chaired by an independent non-executive director under Rule 3.21 of the Listing Rules. Following the appointment of Mr. Wong Lit Chor, Alexis as an independent non-executive Director, the chairman of Audit Committee and a member of the remuneration committee and nomination committee of the Company on 12 August 2016, the Company has fulfilled the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

Save as disclosed above, the Directors consider that the Company had complied with all applicable provisions under the CG Code as set out in Appendix 14 to the Listing Rules during the Period. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (including amendments as effected from time to time) as its own code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the Model Code throughout the six months ended 30 June 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the Audit Committee and adopted the written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process, risk management and internal control systems. On 12 August 2016, the Company appointed Mr. Wong Lit Chor, Alexis as an independent non-executive Director, chairman of Audit Committee and a member of nomination committee and remuneration committee to fill in the vacancy after Mr. Liu Yaohui's resignation on 11 April 2016.

The Group's interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee, comprising of all independent non-executive Directors, namely, Mr. Wong Lit Chor, Alexis (chairman), Mr. Han Biao and Mr. Li Qi, which was of opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The Audit Committee recommended the Board to adopt the same.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

INTERIM DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 September 2015: nil).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF TEMPUS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tempus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Revenue	3	253,515	207,629
Other income		2,980	3,869
Other gains and losses	4	108	(6,183)
Changes in inventories of finished goods		16,653	11,870
Finished goods purchased		(112,336)	(82,418)
Staff costs		(58,947)	(43,433)
Depreciation expense		(4,889)	(3,971)
Finance costs	5	(107)	(204)
Other expenses		(90,410)	(78,567)
Profit before tax	6	6,567	8,592
Income tax expense	7	(1,629)	(2,952)
Profit for the period		4,938	5,640
Other comprehensive expense: <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation		(2,084)	(2,315)
Total comprehensive income for the period		2,854	3,325
Earnings per share	9		
– Basic (HK\$)		0.01	0.02
– Diluted (HK\$)		0.01	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	24,056	24,674
Investment property	11	10,254	10,254
Deferred tax assets		1,253	1,253
Utility and other deposits paid		11,677	7,586
		47,240	43,767
Current assets			
Inventories		49,290	32,636
Trade and other receivables and prepayments	12	109,026	65,072
Utility and other deposits paid		4,475	7,542
Deposit placed at an insurance company		—	3,247
Amount due from a related company		—	175
Tax recoverable		1,138	1,138
Pledged bank deposits		11,950	12,027
Bank balances and cash		276,302	333,939
		452,181	455,776
Current liabilities			
Trade and other payables	13	65,707	65,347
Amount due to a related company		—	361
Amount due to an intermediate holding company		804	635
Obligations under finance leases		79	124
Tax payable		3,041	3,110
Bank borrowings	14	7,961	8,557
		77,592	78,134

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Net current assets		374,589	377,642
Total assets less current liabilities		421,829	421,409
Capital and reserves			
Share capital	15	27,279	27,279
Reserves		394,350	393,917
		421,629	421,196
Non-current liability			
Obligations under finance leases		200	213
		421,829	421,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	25,106	229,344	32	—	(903)	(128,447)	1,072	151,410	277,614
Profit for the period	—	—	—	—	—	—	—	5,640	5,640
Other comprehensive expense for the period									
– exchange difference arising on translation	—	—	—	—	(2,315)	—	—	—	(2,315)
Total comprehensive (expense) income for the period	—	—	—	—	(2,315)	—	—	5,640	3,325
Recognition of equity-settled share-based payments	—	—	—	242	—	—	—	—	242
Issue of shares upon share allotment	2,173	134,467	—	—	—	—	—	—	136,640
Dividend paid (note 8)	—	—	—	—	—	—	—	(2,753)	(2,753)
At 30 September 2015 (unaudited)	27,279	363,811	32	242	(3,218)	(128,447)	1,072	154,297	415,068
At 1 January 2016 (audited)	27,279	363,811	32	960	(4,387)	(128,447)	1,730	160,218	421,196
Profit for the period	—	—	—	—	—	—	—	4,938	4,938
Other comprehensive expense for the period									
– exchange difference arising on translation	—	—	—	—	(2,084)	—	—	—	(2,084)
Total comprehensive (expense) income for the period	—	—	—	—	(2,084)	—	—	4,938	2,854
Recognition of equity-settled share-based payments	—	—	—	1,183	—	—	—	—	1,183
Dividend paid (note 8)	—	—	—	—	—	—	—	(3,604)	(3,604)
At 30 June 2016 (unaudited)	27,279	363,811	32	2,143	(6,471)	(128,447)	1,730	161,552	421,629

Notes:

(a) Capital reserve comprised:

- (i) the difference between the aggregate share capital of the subsidiaries acquired by the company and the Company's investment cost in OTO (BVI) Investment Limited upon the Group reorganization on 13 April 2011; and
- (ii) the excess of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed over the sum of the consideration transferred upon the acquisition of a subsidiary on 29 June 2011.

(b) The Article of Association of 騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd. requires the appropriation of 10% of its profit after tax determined in accordance with generally accepted principles of the People's Republic of China (the "PRC") to the statutory reserve. The statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Net cash (used in) from operating activities		(52,312)	14,569
Investing activities			
Purchases of property, plant and equipment		(4,381)	(9,715)
Interest received		1,202	984
Placement of bank deposits original maturity over three months		(100,000)	—
Withdrawal of bank deposits original maturity over three months		140,000	1,265
Cash outflow from acquisition of business	20	—	(4,852)
Withdrawal on deposit placed at an insurance company		3,247	—
Other investing cash flows		77	(214)
Net cash from (used in) investing activities		40,145	(12,532)
Financing activities			
Dividend paid	8	(3,604)	(2,753)
New trust receipt loans raised		23,753	40,254
Repayment of trust receipt loans		(24,349)	(56,060)
Proceeds of issue of shares		—	136,640
Other financing cash flows		(165)	(291)
Net cash (used in) from financing activities		(4,365)	117,790
Net (decrease) increase in cash and cash equivalents		(16,532)	119,827
Cash and cash equivalents at the beginning of the period		193,939	219,699
Effect of foreign exchange rate changes		(1,105)	(1,183)
Cash and cash equivalents at the end of the period		176,302	338,343
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		276,302	338,343
Bank deposits with original maturity over three months		(100,000)	—
		176,302	338,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Listing Rules.

Change of financial year end date

During the period ended 31 December 2015, the financial year end date of the Group has been changed from 31 March to 31 December because the Directors of the Company determined to align the financial year end date of the Group with that of the ultimate holding company. The Directors of the Company consider such change will facilitate the preparation of the consolidated financial statements of the Group and also those of the ultimate holding company and its subsidiaries. Accordingly, the current financial period covers a six-month period from 1 January 2016 to 30 June 2016 and the comparative financial period covers a six-month period from 1 April 2015 to 30 September 2015 and are therefore may not be comparable.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investment property which is measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the period ended 31 December 2015.

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments. During the Period, information reported to the chief operating decision maker for the purposes of performance assessment and resource allocation had been re-categorised. Operating segments previously reported based on geographical locations are changed to business units by reference to the goods sold or services provided, i.e. the Group's health and wellness business and cross-border business, in accordance with the information reported to the chief operating decision maker. Comparative figures are re-presented to conform with changes in presentation in the current period.

The Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

- Health and wellness business – Sales and research and development of health and wellness related products
- Cross-border business – Trading and distribution of cross-border commodity

Six months ended 30 June 2016

	Health and wellness business HK\$'000	Cross- border business HK\$'000	Total HK\$'000 (unaudited)
Segment revenue - external sales	218,288	35,227	253,515
Segment profit	13,320	982	14,302
Unallocated administrative expenses			(8,938)
Other gains and losses			108
Interest income			1,202
Finance costs			(107)
Profit before tax			6,567
Income tax expense			(1,629)
Profit for the period			4,938

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2015

	Health and wellness business HK\$'000	Cross- border business HK\$'000	Total HK\$'000 (unaudited)
Segment revenue - external sales	207,629	—	207,629
Segment profit	13,995	—	13,995
Other gains and losses			(6,183)
Interest income			984
Finance costs			(204)
Profit before tax			8,592
Income tax expense			(2,952)
Profit for the period			5,640

4. OTHER GAINS AND LOSSES

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Gain from change in fair value of investment property	—	654
Net exchange gain (loss)	108	(5,649)
Loss on write-off of property, plant and equipment	—	(1,188)
	108	(6,183)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. FINANCE COSTS

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings	98	186
Finance leases	9	18
	107	204

6. PROFIT BEFORE TAX

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	95,683	70,548
Operating lease payments in respect of rented premises (including in other expenses)		
– Minimum lease payments	23,664	22,376
– Contingent rent	27,770	23,485
Interest income	(1,202)	(984)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. INCOME TAX EXPENSE

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	172	2,066
Macau Complementary Income Tax	440	167
PRC Enterprise Income Tax	1,002	773
Malaysian Corporate Income Tax	15	(194)
Singapore Corporate Income Tax	—	43
	1,629	2,855
Overprovision of taxation in prior years		
Malaysian Corporate Income Tax	—	(35)
Deferred tax	—	132
	1,629	2,952

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the both periods.

Macau Complementary Income Tax is calculated progressively at 12% of the estimated assessable profit exceeding MOP300,000 for both periods.

Under the Law of the PRC on Enterprise Income Tax, the tax rate of the PRC subsidiary is 25% for both periods.

Taxable income of the subsidiary in Malaysia is subject to corporate tax at the rate of 25% for both periods.

Taxable income of the subsidiary in Singapore is subject to corporate tax at the rate of 17% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

8. DIVIDENDS

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Dividends recognised as distribution during the period:		
Nine months ended 31 December 2015 Final – HK cent 1.03 per share	3,604	—
Year ended 31 March 2015 Final – HK cent 0.472 per share	—	1,653
Special dividend – HK cent 0.314 per share	—	1,100
	3,604	2,753

Subsequent to the end of the current and prior interim periods, the Directors have resolved not to declare interim dividend for the respective period end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	4,938	5,640
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	349,877	339,319
Effect of dilutive potential ordinary shares in respect of share options	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	349,877	339,319

There are no dilution effects pertaining to the outstanding share options at the end of each reporting period as the exercise price of each of the share options is higher than the average market price of the Company's shares during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK\$4,381,000 (six months ended 30 September 2015: HK\$8,666,000 of which HK\$1,038,000 was acquired through the acquisition of business as disclosed in note 20).

11. MOVEMENT IN INVESTMENT PROPERTY

The Group's investment property at the end of the Period was measured at fair value. In estimating the fair value of the investment property, the directors of the Company used the direct comparison approach with reference to market evidence of transaction prices for similar properties.

During the Period, no change in fair value is noted (six months ended 30 September 2015: a gain from change in fair value of HK\$654,000 was included in other gains and losses in note 4).

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	78,475	52,319
Prepayments	23,154	8,147
Other receivables	7,397	4,606
Total trade and other receivables and prepayments	109,026	65,072

Retail sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 14 days. Receivables from retail sales in department stores are collected within three months. The Group granted an average credit period from 30 days to 90 days to the corporate customers.

The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 — 30 days	50,518	23,064
31 — 60 days	12,882	11,512
61 — 90 days	5,707	7,670
Over 90 days	9,368	10,073
Total	78,475	52,319

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	32,932	37,088
Receipts in advance	12,146	5,223
Accruals	12,358	11,920
Others	8,271	11,116
	65,707	65,347

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 — 30 days	21,340	17,155
31 — 60 days	7,206	13,776
61 — 90 days	1,404	5,941
Over 90 days	2,982	216
	32,932	37,088

The average credit period for trade purchases ranges from 30 to 60 days.

14. BANK BORROWINGS

During the Period, the Group raised and repaid trust receipt loans amounting to HK\$23,753,000 and HK\$24,349,000, respectively (six months ended 30 September 2015: raised and repaid trust receipt loans amounting to HK\$40,254,000 and HK\$56,060,000, respectively).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$0.01 each		
Authorised:		
At 1 April 2015, 30 September 2015, 1 January 2016 and 30 June 2016	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
At 1 April 2015	321,876,800	3,218,768
Allotment of shares	28,000,000	280,000
At 30 September 2015, 1 January 2016 and 30 June 2016	349,876,800	3,498,768
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
<i>Presented as</i>	27,279	27,279

16. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to secure the banking facilities granted to the Group at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Leasehold land and buildings		
- included in property, plant and equipment	2,408	2,476
Investment property	10,254	10,254
Bank deposits	11,950	12,027
	24,612	24,757

In addition, the Group's obligations under finance leases are secured by the lessor's charge over the leased assets with carrying values of HK\$180,000 as at 30 June 2016 (31 December 2015: HK\$ 296,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	35,370	28,606
In the second to fifth years inclusive	24,097	14,244
	59,467	42,850

Operating lease payments represent rentals payable by the Group for its office, shops and consignment counters at department stores. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals and certain arrangements are subject to contingent rents based on a fixed percentage of the monthly gross turnover with or without monthly minimum lease payments.

18. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2016, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transaction	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Fellow subsidiary	Installation fee on computer software	193	1,607
	Service income	(120)	—
Intermediate holding company	Rental expenses	345	—

The balances of amounts due from/to related company and intermediate holding company are disclosed in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. RELATED PARTY TRANSACTIONS (Continued)

- (b) Compensation of key management personnel

Key management personnel comprises only the directors of the Company and their remuneration during the periods are as follows:

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2015 HK\$'000 (Unaudited)
Fee	442	475
Salaries and other benefits	1,060	1,644
Retirement benefits scheme contributions	9	9
Performance related incentive payments	1,027	730
Share-based payments	290	72
	2,828	2,930

19. SHARE-BASED PAYMENTS

On 31 August 2015, the Company granted 5,400,000 share option (the "Share Option") to subscribe for the ordinary shares of the Company at a price of US\$0.01 each in the capital under the Scheme.

The grant of Share Options comprised (i) 1,600,000 Share Options to the directors of the Company and (ii) 3,800,000 Share Options to certain eligible participants including members of senior management and employees of the Company to subscribe for shares in the Company at HK\$3.38 per share.

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 5,000,000, representing approximately 1.4% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange of Hong Kong, being 32,000,000 shares.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per eligible participant. Options may be exercised at any time during the exercise period as disclosed below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE-BASED PAYMENTS (Continued)

Details of the shares options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
Type I	31 August 2015	20%: 31.8.2015 (date of grant) to 30.8.2016	31.8.2016 to 30.8.2019	HK\$3.38 per share
		30%: 31.8.2015 to 30.8.2017	31.8.2017 to 30.8.2019	
		50%: 31.8.2015 to 30.8.2018	31.8.2018 to 30.8.2019	

The following table discloses movement of the Company's share options held by directors and eligible employees during the Period:

Option type	Outstanding at 1 April 2015	Granted during the Period	Outstanding at 30 September 2015	Lapsed during the period	Outstanding at 30 June 2016
Type I	—	5,400,000	5,400,000	400,000	5,000,000
Exercise at the end of the period	—	—	—	—	—
Weighted average exercise price	HK\$3.38	—	HK\$3.38	—	HK\$3.38

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

Share price on the date of grant	HK\$3.38
Exercise price	HK\$3.38
Expected volatility	83.002%
Contractual life	4 years
Risk-free rate	0.872%
Expected dividend yield	0.326%

Expected volatility was determined by using the historical price volatilities of Company's share price as at the date of valuation as extracted from Bloomberg.

The Group recognised a charge of HK\$1,183,000 in the staff cost for the six months ended 30 June 2016 (six months ended 30 September 2015: HK\$242,000) in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. ACQUISITION OF BUSINESS

On 15 May 2015, OTO Wellness Pte. Ltd. ("OTO Wellness"), a subsidiary of the Company, entered into a business transfer agreement with OTO Singapore, pursuant to which OTO Wellness agreed to acquire and OTO Singapore agreed to sell the business in Singapore operated by OTO Singapore (the "Target Business") for the aggregate consideration of S\$822,413 (equivalent to approximately HK\$4,852,000).

The fair value of the acquired assets at the date of acquisition of the Target Business comprised:

	HK\$'000
Property, plant, and equipment	1,038
Inventories	3,814
	4,852

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of a valuation carried out on 15 January 2016 by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Since the difference between the consideration and the fair value of the identifiable assets acquired and liabilities assumed was minimal, no goodwill was recognised from the acquisition.

Cash outflow on acquisition of business:

	HK\$'000
Cash consideration paid	4,852

Details of the acquisition are set out in the announcement by the Company dated 15 May 2015.

Revenue of HK\$13,050,000 and loss of HK\$240,000 attributable to the Target Business for the period from the acquisition date to 30 September 2015 was consolidated in the Group's profit and loss for the period ended 30 September 2015.

Had the acquisition been completed on 1 April 2015, total group revenue for the period would have been HK\$208,674,000, and the profit for the period would have been HK\$5,543,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the Period, the Group has entered into an agreement with an independent third party (the “Vendor”) in relation to a conditional acquisition of 36% of the issued share capital of a company (the “Target Company”) incorporated in Hong Kong and a conditional subscription of new shares of the Target Company at a consideration of RMB7,200,000 (equivalent to approximately HK\$8,300,000) and an injection of RMB10,000,000 (equivalent to approximately HK\$11,600,000) in cash for allotting and issuing new shares of the Target Company. Upon the completion of the proposed acquisition, the Company will hold approximately 57.3% of the enlarged issued share capital of the Target Company. The Target Company, together with its subsidiary is principally engaged in research and development and manufacturing of small massagers. Details of the proposed acquisition are set out in the announcement by the Company dated 27 July 2016. The acquisition has not been legally completed as of the date of issuance of the condensed consolidated financial statements.