騰邦控股有限公司
Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06880

2016 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Dongming *(chief executive officer)* (appointed on 18 October 2016)
Mr. Huang Jingkai *(vice-chairman)* (re-designated from chief executive officer to vice-chairman on 18 October 2016)
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. Ho Hang Man (appointed on 13 February 2017)
Mr. Tam Ka Tung (resigned on 13 January 2017)

AUDIT COMMITTEE

Mr. Wong Lit Chor, Alexis *(chairman)* (appointed on 12 August 2016)
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)

AUTHORISED REPRESENTATIVES

Mr. Li Dongming (appointed on 13 January 2017)
Mr. Huang Jingkai
Mr. Ho Hang Man *(alternate authorised representative to Mr. Li Dongming)* (appointed on 13 February 2017)
Mr. Tam Ka Tung (appointed on 29 January 2016 and resigned on 13 January 2017)
Mr. Yip Chee Lai, Charlie (resigned on 29 January 2016)

COMPANY WEBSITE

www.tempushold.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26th Floor, Pacific Plaza
410 Des Voeux Road West
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

HONG KONG LEGAL ADVISERS

Guantao & Chow
Suites 1604-6, 16/F, ICBC Tower, 3 Garden Road
Central
Hong Kong

PRINCIPAL BANKS

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

INVESTOR RELATIONS

Mr. Ho Hang Man

STOCK CODE

06880

BOARD LOT

2,000 Shares

GROUP INTRODUCTION

Tempus Holdings Limited ("**Tempus**" or the "**Company**", together with its subsidiaries, collectively the "**Group**", "**we**" or "**us**") is principally engaged in sales and research and development of health and wellness products through its "OTO" brand, and cross-border trading and logistics business.

OTO products are broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. Through its diversified sales channels including retail stores, consignment counters, roadshow counters, corporate sales, international sales and internet sales, the Company has achieved sales successes in Hong Kong, the People's Republic of China ("**PRC**"), Macau and overseas markets.

As at 31 December 2016, we operated a total of 62 retail stores and 106 consignment counters in Hong Kong, Macau, Singapore, Malaysia, the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei and Chengdu regions. Besides, the Group is actively exploring the cross-border trading and logistics sector which shall be an integral part of our principal business in the future.

On 13 December 2011, Tempus listed its shares (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The listing on the Stock Exchange not only represents a successful establishment of a global financing platform that forms a solid foundation for our long-term development. Since 5 December 2014, the Company has been a member of Tempus Group Co., Ltd. ("**Tempus Group**"), a conglomerate in Shenzhen, the PRC, engaged in business services, modern logistics, fine wine exchange platform and operation of "Shenzhen (Futian) Internet Financial Industrial Park". Tempus Group has been awarded "Top 500 Enterprises of China 2014" by the China Enterprise Confederation.

	For the year ended 31 December 2016	For the nine months ended 31 December 2015
Profitability data *(HK$'000)*		
Revenue	**471,735**	335,388
Gross profit	**281,614**	220,380
(Loss) profit before tax	**(15,012)**	16,375
(Loss) profit after tax for the year/period	**(17,754)**	12,219
(Loss) earnings per Share — basic and diluted *(HK$)*	**(0.05)**	0.04
Gross profit margin	**59.7%**	65.7%
(Loss) profit before tax margin	**(3.2%)**	4.9%
Dividend per Share *(HK cents)*		
– interim dividend	**—**	—
– final dividend	**—**	1.03

	As at 31 December 2016	As at 31 December 2015	Changes
Assets and liabilities data *(HK$'000)*			
Bank balances and cash	**171,045**	333,939	(48.8%)
Bank borrowings	**152,684**	8,557	1,684.3%
Net current assets	**100,974**	377,642	(73.3%)
Total assets less current liabilities	**406,132**	421,409	(3.6%)
Assets and working capital ratios / data			
Current ratio *(times)*	**1.5**	5.8	(4.3)
Gearing ratio *(%)*	**24.5**	1.8	22.7
Inventory turnover days *(days)*	**66.1**	62.6	3.5
Trade receivables turnover days *(days)*	**45.4**	36.9	8.5
Trade payables turnover days *(days)*	**58.2**	65.2	(7.0)

Notes for key ratio:

Gross Profit	Revenue – (Finished goods purchased – Changes in inventories of finished goods + Direct expenses attributable to purchase)
(Loss) earning per Share	(Loss) profit attributable to shareholders / Weighted average number of ordinary shares
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 number of days in the year/period
Trade receivables turnover days	Average of beginning and ending trade receivables balances / Revenue x number of days in the year/period
Trade payables turnover days	Average of beginning and ending trade payables balances / Cost of sales x number of days in the year/period

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Company positioned itself on "focus on areas of consumer services with households as the targets, strive to become the world's leader of healthy and quality living" in 2016. It was also a year full of challenges and opportunities as well as development and changes. Although the "OTO" brand business of the Company achieved sustained growth in revenue due to the outstanding performance of the major product, namely "ii Zone (挨挨松)", the Company recorded a loss of approximately HK$17.8 million for the year ended 31 December 2016 (nine months ended 31 December 2015: profit of approximately HK$12.2 million) due to factors such as fixed cost of retail business.

Despite the unsatisfactory financial performance in this financial year, the Company successfully grasped the opportunities of business expansion and achieved business integration after years of strategic planning. Following the completion of acquisition of the Singapore business in 2015, the Company successfully acquired approximately 51.5% of the entired issued share capital of Tempus Sky Enterprises Limited in 2016, and achieved breakthrough and profitability in the cross-border business of the Company. Such business has created synergies with the existing cross-border e-commerce and logistics business of Tempus Group, our controlling shareholder, and will gradually establish a comprehensive industrial value chain. Moreover, with the leverage of the domestic brand influence of the Company and Tempus Group, the Company continued to improve its domestic retail networks and optimise it sales channels, resulted in substantial growth in domestic sales revenue with relatively large growth in sales through e-commerce. With continuous implementation of the Company's strategic initiatives, we are confident in the ongoing improvement and development of the Company's operation in the future.

The Company is positive and optimistic about the future growth potential of the healthcare industry, and will continue to support the development of OTO business and actively explore investments relating to principal business to enrich our business, strengthen our market shares and further expand our domestic and overseas markets. The Company expects to gradually establish a comprehensive industrial value chain including elements of healthcare, health management, elderly services and rehabilitation, cross-border commodity trading and other ancillary services through investments, mergers and acquisitions as well as co-operations.

Tempus Group, our controlling shareholder, is listed among the top 500 Chinese companies. Currently it has established a high-end service platform which includes elements such as tourism, healthcare, global value-chain, global commodity trading, cross-border e-commerce, modern logistics, industry finance and asset operation. It is also the controlling shareholder of Shenzhen Tempus Global Business Service Holding Ltd. ("**Tempus Global**") (Stock code: 300178.SZ) whose shares are listed on the Shenzhen Stock Exchange. The business network of Tempus Global is worldwide, with complete tourism value chain and comprehensive internet financial licenses. The Company, as the sole overseas listing platform of Tempus Group, is an important medium between Tempus Group and the international capital markets, plays an important role in the globalisation of Tempus Group. We expect that the Company will assume more important responsibilities in the future industry collaboration of the Tempus Group.

Looking forward to 2017, under the key action agenda of "internal resources integration, external projects acquisition, focus to achieve breakthroughs of integration both internally and externally (內部資源整合、外部項目獲取、內外兼修、整合突破)", the Company will focus on the two business segments: (i) healthcare services and (ii) commodity trading, aim to achieve the overall strategic objective of "creating a global value chain and establishing a gigantic consumption ecology" through transformation from product to service; and transformation from logistics to trading, so as to create greater values and benefits for shareholders of the Company.

Zhong Baisheng
Chairman and Non-executive Director

Hong Kong, 31 March 2017

The financial year end date of the Company had been changed from 31 March to 31 December with effect from 24 September 2015, resulting in shortening of the comparative figures covering the nine months (from 1 April 2015 to 31 December 2015) and may not be directly comparable with the performance figures for the year ended 31 December 2016.

BUSINESS REVIEW

For the year ended 31 December 2016, the Group's revenue and loss for the year were approximately HK$471.7 million and HK$17.8 million, respectively. Despite the continuing strong performance of several products and the growth in revenue, the Group's loss for the year was mainly due to the increase in operating fixed costs and professional fees incurred for business expansion.

In 2016, the Group started its trading and logistics business and generated revenue of approximately HK$71.3 million for the year ended 31 December 2016. The revenue from the health and wellness business was approximately HK$400.4 million for the year ended 31 December 2016.

HEALTH AND WELLNESS BUSINESS

Products

In 2016, the Group had launched a total of 14 new products comprising eight relaxation products, three fitness products and three other health and wellness products. The new products launched had generated approximately HK$55.4 million or 13.8% of the Group's revenue from the health and wellness business.

Sales Channels

The Group keeps diversifying its sales channels and expanding its geographical market coverage. The diversified sales channels of the Group include (i) traditional sales channels such as retail stores and consignment counters; and (ii) proactive sales channels including corporate sales, international sales, internet sales and roadshow counters.

(i) ***Traditional sales channels***

For the year ended 31 December 2016, the Group's traditional sales channel generated approximately 71.4% of the Group's overall revenue from the health and wellness business (for the nine months ended 31 December 2015: 62.0%). As at 31 December 2016, the Group operated the following retail stores and consignment counters ("**retail outlets**"):

	No. of outlets as at	
	31 December 2016	31 December 2015
Hong Kong and Macau		
– Retail stores	**11**	13
– Consignment counters	**12**	13
Mainland China		
– Retail stores	**40**	44
– Consignment counters	**90**	63
Malaysia		
– Retail stores	**7**	8
– Consignment counters	**4**	7
Singapore		
– Retail stores	**4**	4
– Consignment counters	**—**	—
Total	**168**	152

Retail business in Hong Kong and Macau

As at 31 December 2016, the Group maintained 23 retail outlets in Hong Kong and Macau. For the year ended 31 December 2016, the total revenue contributed by retail business was approximately HK$121.0 million, represented approximately 30.2% of the Group's revenue from health and wellness business, which was mainly due to strong retail performance driven by the top selling product "ii Zone".

Retail business in the PRC

As at 31 December 2016, the Group operated 130 retail outlets in the PRC, mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei and Chengdu regions in the PRC. For the year ended 31 December 2016, the total revenue contributed by retail business in the PRC was approximately HK$144.1 million, represented approximately 36.0% of the Group's revenue from health and wellness business. The significant increase in revenue contribution was primarily due to (i) the contribution from the top selling product "ii Zone" in the PRC and (ii) further expansion of retail outlets.

Retail business in Singapore and Malaysia

As at 31 December 2016, the Group operated 15 retail outlets in Singapore and Malaysia. For the year ended 31 December 2016, the total revenue contributed by retail business was approximately HK$20.8 million, represented approximately 5.2% of the Group's revenue from health and wellness business.

(ii) ***Proactive sales channels***

The proactive sales channels are important marketing and revenue generating channels for the Group. These channels not only facilitate the penetration into new market 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. For the year ended 31 December 2016, the Group's proactive sales channels generated approximately 28.6% of the Group's revenue from the health and wellness business (for the nine months ended 31 December 2015: 38.0%).

The Group's corporate sales represent the sale 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 or 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 represents the sale through an online group-buying platform and the sale through its online stores at major business-to-customer shopping platforms such as the Tmall and JD.com.

TRADING AND LOGISTICS BUSINESS

In 2016, the Group commenced the trading and logistics business by acquiring or cooperating with companies that possess the expertise and experience in related scope of business.

As disclosed in the Company's voluntary announcement dated 19 April 2016, the Group commenced the business of international trading. The trading volume for the year ended 31 December 2016 was approximately HK$62.6 million. In addition, the Group acquired approximately 51.5% of the entire issued share capital of Tempus Sky Enterprises Limited, which is a one-stop logistics services provider in Hong Kong, specialised in handling the logistics of consumer products, food and beverages. Tempus Sky Enterprises Limited, together with its subsidiaries, have extensive connections with upstream product manufacturers, brand owners and distributors and intend to tap into the cross-border trading business. It is expected that the acquisition of Tempus Sky Enterprises Limited will enrich the Group's cross-border business development and generate synergy with the Group's existing cross-border e-commerce and logistics businesses.

As a result, for the year ended 31 December 2016, the trading and logistics business generated a revenue of approximately HK$71.3 million, represented approximately 15.1% of the Group's revenue. The gross profit margin was approximately 9.9%. It is expected that the trading volume and the product mix will be expanded and the Group shall continue to identify appropriate opportunities for both investment and acquisition.

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

RESULTS OF OPERATION

Revenue

Revenue represents the income from sale of relaxation products, fitness products and other health and wellness products under the health and wellness business and the income from trading and logistics business.

The Group's revenue was approximately HK$471.7 million and HK$335.4 million for the year ended 31 December 2016 and the nine months ended 31 December 2015, respectively. The Group recognised revenue of approximately HK$400.4 million from the health and wellness business, represented approximately 84.9% of the Group's revenue. The remaining approximately 15.1% represented revenue from the trading and logistics business. An analysis of sales by product category and sales channel of the health and wellness business are as follow:

Sales by product category

	For the year ended 31 December 2016		For the nine months ended 31 December 2015	
	HK$'000	**% of revenue**	HK$'000	% of revenue
Relaxation products	**367,373**	**91.7**	243,202	72.5
Fitness products	**22,291**	**5.6**	48,419	14.5
Other health and wellness products	**10,732**	**2.7**	43,767	13.0
Total	**400,396**	**100.0**	335,388	100.0

For the year ended 31 December 2016, income from the sale of the relaxation products reached approximately HK$367.4 million, represented 91.7% of the Group's revenue from the health and wellness business. Income from the sale of the fitness products was approximately HK$22.3 million, represented 5.6% of the Group's revenue from the health and wellness business. The increase in revenue percentage from the sale of relaxation products and the decrease in revenue percentage from the sale of fitness products were mainly due to the lack of new fitness products being launched in 2016. Other health and wellness products included certain diagnostic and therapeutic products and branded cookware which were sold through corporate sales channel.

Sales by channel

	For the year ended 31 December 2016		For the nine months ended 31 December 2015	
	HK$'000	**% of revenue**	HK$'000	% of revenue
Retail stores	**115,697**	**28.9**	83,790	25.0
Consignment counters	**170,186**	**42.5**	124,275	37.0
Roadshow counters	**55,268**	**13.8**	38,525	11.5
Corporate sales	**31,950**	**8.0**	70,015	20.9
International sales	**15,924**	**4.0**	16,415	4.9
Internet sales	**11,371**	**2.8**	2,368	0.7
Total	**400,396**	**100.0**	335,388	100.0

For the year ended 31 December 2016, the revenue from the Group's retail stores and consignment counters were approximately HK$115.7 million and HK$170.2 million, represented approximately 28.9% and 42.5% of the Group's revenue from the health and wellness business, respectively. The increase in percentage of revenue from consignment counters were in line with the change in number of retail outlets. The revenue from roadshow counters was approximately HK$55.3 million, represented approximately 13.8% of the Group's revenue from the health and wellness business. The percentage of revenue from roadshow counters remained stable. The revenue from corporate sales and international sales were approximately HK$32.0 million and HK$15.9 million, represented approximately 8.0% and 4.0% of the Group's revenue from the health and wellness business, respectively. The percentage of revenue from corporate sales decreased significantly as there was no massive corporate sales of other health and wellness products in 2016, which was in line with the decrease in sales generated by such products.

Other income

Other income was approximately HK$6.6 million for the year ended 31 December 2016, mainly comprised bank interest income of approximately HK$2.0 million and repair income of approximately HK$1.4 million. Other income was approximately HK$5.1 million for the nine months ended 31 December 2015, mainly comprised bank interest income of approximately HK$1.6 million and repair income of approximately HK$1.0 million.

Other gains and losses

Other losses was approximately HK$0.7 million for the year ended 31 December 2016, which mainly comprised a net exchange loss of approximately HK$0.6 million and loss on write-off of property, plant and equipment of approximately HK$0.1 million. Other losses was approximately HK$5.9 million for the nine months ended 31 December 2015, which mainly comprised a net exchange loss of approximately HK$5.4 million.

Changes in inventories of finished goods

Changes in inventories of finished goods were approximately HK$0.7 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$12.9 million). The movement was insignificant as the Group intended to maintain a similar level of inventories.

Finished goods purchased

Finished goods purchased was approximately HK$180.6 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$124.2 million). The increase was in line with the increase in sales and inventories.

Gross profit

The gross profit was approximately HK$281.6 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$220.4 million). The gross profit margin of the Group's health and wellness business slightly increased from approximately 65.7% for the nine months ended 31 December 2015 to 68.6% for the year ended 31 December 2016. The increase was mainly due to more massage chairs were sold during year, which had higher gross profit margin than other products. The Group started the trading and logistics business during the year as a new business segment, the Group only managed to achieve a gross profit margin of approximately 9.9% for the year ended 31 December 2016. As a result, the overall gross profit margin decreased from approximately 65.7% for the nine months ended 31 December 2015 to approximately 59.7% for the year ended 31 December 2016.

Staff costs

Staff costs was approximately HK$113.3 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$70.0 million). The increase was primarily due to the increase in the overall headcount from 584 employees as at 31 December 2015 to 731 employees as at 31 December 2016.

Depreciation expense

Depreciation expense was approximately HK$11.1 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$6.3 million). The average monthly depreciation expense increased as a result of the acquisition of certain fixed assets in 2016.

Finance costs

Finance costs was approximately HK$0.4 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$0.3 million). The finance costs remained stable.

Other expenses

Other expenses was approximately HK$187.9 million for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK$130.3 million). Major items of other expenses for the year ended 31 December 2016 included rental expenses of approximately HK$40.2 million, commissions for consignment counters of approximately HK$29.5 million and advertising and promotional expenses of approximately HK$16.1 million. Major items of other expenses for the nine months ended 31 December 2015 included rental expenses of approximately HK$25.2 million, commissions for consignment counters of approximately HK$30.6 million and advertising and promotional expenses of approximately HK$12.6 million.

Loss before tax

As a result of the factors described above, the Group's loss before tax was approximately HK$15.0 million for the year ended 31 December 2016.

Income tax expense

Income tax expenses was approximately HK$2.7 million for the year ended 31 December 2016 and HK$4.2 million for the nine months ended 31 December 2015, respectively. The decrease was mainly attributable to the decrease in overall profitability which was in turn driven by the increase in direct and fixed costs incurred.

Loss for the year

As a result of the factors described above, the Group's loss for the year ended 31 December 2016 was approximately HK$17.8 million.

FINANCIAL POSITION

As at 31 December 2016, total equity of the Group amounted to approximately HK$397.8 million (as at 31 December 2015: HK$421.2 million). The Group was loss-making for the year ended 31 December 2016, as a result, the Group's total equity decreased.

As at 31 December 2016, the Group's net current assets amounted to approximately HK$101.0 million (as at 31 December 2015: HK$377.6 million). The current ratio was 1.5 times (as at 31 December 2015: 5.8 times). The decrease in the Group's current ratio was mainly due to the increase in bank borrowings and decrease in bank balances and cash mainly due to the net cash used in the Group's investing activities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had approximately HK$171.0 million (as at 31 December 2015: HK$333.9 million) bank balances and cash. The Group's bank balances and cash primarily consisted of cash on hand and bank balances which were mainly held at Hong Kong dollars, United States dollars and Renminbi bank accounts at the banks in Hong Kong and the PRC. The Group's approach in managing liquidity is to ensure, as far as possible, that the Group always maintains 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$41.7 million for the year ended 31 December 2016 (For the nine months ended 31 December 2015: HK$18.5 million generated from operating activities), primarily reflecting the operating cash flows before movements in working capital of approximately HK$3.1 million, as adjusted by an increase of approximately HK$2.4 million in inventory, an increase of approximately HK$14.7 million in trade and other receivables and prepayment and an increase of approximately HK$17.9 million in trade and other payables.

Investing activities

Net cash used in investing activities was approximately HK$124.2 million for the year ended 31 December 2016 (For the nine months ended 31 December 2015: HK$159.1 million used in investing activities), which was primarily due to the consideration paid for acquisition of business of approximately HK$5.9 million, consideration paid for acquisition of assets through acquisition of subsidiaries of approximately HK$249.7 million and acquisition of property, plant and equipment of approximately HK$7.3 million, offset by the net decrease in bank deposits with original maturity over three months of approximately HK$133.0 million.

Financing activities

Net cash generated from financing activities was approximately HK$136.4 million for the year ended 31 December 2016 (For the nine months ended 31 December 2015: HK$116.2 million), which was primarily due to the net increase in bank loans of approximately HK$143.5 million and partially offset by the net decrease in trust receipt loans of approximately HK$2.5 million.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 December 2016 was approximately HK$152.7 million with effective interest rate ranging from 1.96% to 6.25% per annum. The Group's gearing ratio increased from approximately 1.8% as at 31 December 2015 to approximately 24.5% as at 31 December 2016, which was primarily due to increase in bank borrowings by approximately HK$144.1 million and decrease in bank balances and cash of approximately HK$163.8 million as at 31 December 2016.

WORKING CAPITAL

As at 31 December 2016, the net working capital of the Group was approximately HK$101.0 million, represented a decrease of approximately HK$276.6 million or 73.3% as compared to HK$377.6 million as at 31 December 2015.

As at 31 December 2016, the Group's inventories increased by HK$0.7 million to HK$33.3 million from approximately HK$32.6 million as at 31 December 2015. The increase was primarily due to more display units of certain new products were arranged for marketing purpose. The inventories turnover days was 66.1 days as at 31 December 2016 as compared with 62.6 days as at 31 December 2015. The increase was in line with the increase in inventories.

As at 31 December 2016, the Group's trade receivables increased by approximately HK$12.6 million, to approximately HK$64.9 million from approximately HK$52.3 million as at 31 December 2015. The average trade receivables turnover days was 45.4 days, represented an increase of approximately 8.5 days from 36.9 days as at 31 December 2015. The increase was mainly attributable to longer repayment credit terms granted to certain well-known department stores.

As at 31 December 2016, the Group's trade payables decreased by approximately HK$16.1 million to approximately HK$21.0 million from approximately HK$37.1 million as at 31 December 2015. The trade payables turnover days decreased to approximately 58.2 days from approximately 65.2 days as at 31 December 2015.

CAPITAL EXPENDITURE

During the year ended 31 December 2016, the Group's total capital expenditure amounted to approximately HK$7.3 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 December 2016, the Group had pledged certain assets, including leasehold land and buildings, property, plant and equipment, investment properties and bank deposits with a total carrying value of approximately HK$273.6 million for the purpose of securing certain banking and other facilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

On 18 October 2016, the Group entered into an agreement with an independent third party, pursuant to which the Group conditionally agreed to acquire approximately 51.5% of the entire issued share capital of Tempus Sky Enterprises Limited at an aggregated consideration of HK$10,350,000. Tempus Sky Enterprises Limited is principally engaged in logistics of consumer products, food and beverages business and has extensive connections with upstream product manufacturers, brand owners and distributors and intends to tap into the cross-border trading business. For details, please refer to the Company's announcement dated 18 October 2016.

On 20 October 2016, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to purchase the respective entire issued share capital of KK VII (BVI) Limited and KK VIII (BVI) Limited (the "**Target Group**"), and accepted the benefit of the sale loans of the Target Group at an aggregated consideration of HK$245,832,000, subject to adjustment. The Target Group directly owns two properties in Hong Kong. The completion of the transaction took place on 15 December 2016. For details, please refer to the Company's announcement and circular dated 20 October 2016 and 1 December 2016, respectively.

Save as disclosed above and elsewhere in this report, the Group did not have any significant investment, material acquisitions and disposals of assets during the year ended 31 December 2016.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016 and 31 December 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 December 2016, the Group was exposed to limited foreign exchange risk as majority of bank deposits were denominated in Hong Kong dollars and United States dollars. As at 31 December 2016, the Group had cash balances in Renminbi of approximately RMB14,350,000 (equivalent to approximately HK$16,019,000), and in United States dollar of approximately US$2,485,000 (equivalent to approximately HK$19,286,000). The Group does not use any derivative financial instrument to hedge the foreign exchange risk. Instead, the Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Save as disclosed in this report, the Group does not have any future plans for material investments or acquisition of capital assets as at the date of this report. The Group continues to seek appropriate opportunities to expand its principal business in healthcare sector and diversify into other sectors which are in line with the Group's strategy.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total number of 731 (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 of the Company (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 the 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 2017. Given the tougher peripheral factors abovementioned, the Group will strive for further business growth through (i) merger and acquisition in health and wellness, and trading and logistics business sectors; (ii) breakthrough in internet sales and corporate sales channels in the PRC and overseas market; and (iii) the key new products to be launched in 2017.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The proceeds from the global offering, after deduction of related issuance expenses, amounted to approximately HK$92.6 million. As at 31 December 2016, there is no change on 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$' million	Utilised up to 31 December 2016 HK$' million	Unutilised as of 31 December 2016 HK$' million
Use of proceeds:			
Expansion of the Group's PRC operations	45.9	38.6	7.3
Advertising and promotional activities in the PRC	20.0	9.9	10.1
Renovation and redecoration 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 IT systems	8.0	8.0	—
	92.6	75.2	17.4

USE OF NET PROCEEDS FROM THE ISSUE OF SHARES

On 8 June 2015, the Company allotted and issued 28,000,000 ordinary Shares 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 31 December 2016, there was no change of the proposed use of net proceeds from the Subscription and such net proceeds were applied in the manner consistent with that set out in the Company's announcement dated 27 May 2015 and had been fully utilised.

1. ABOUT THIS REPORT

The Environmental, Social and Governance Report ("**ESG Report**") elaborated the various work of the Group fully implementing the concept of sustainable development and performing its corporate social responsibilities, and its performance of social governance in 2016.

1.1 Scope of the Report

The ESG Report focused on the environmental and social performance of the core business of the Group in mainland China, Hong Kong SAR, Macao SAR, Singapore and Malaysia from 1 January 2016 to 31 December 2016 (the "**Year**"). As for the information of corporate governance, please refer to the "Corporate Governance Report" in Page 40.

1.2 Reporting Framework

The ESG Report was prepared based on the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange.

1.3 Stakeholder Engagement

The preparation of the ESG Report, which was supported by staff from the Group's different departments, enabled us to have a better understanding of our current environmental and social development. The information we gathered were not only the summary of the environmental and social work carried out by the Group during 2016, but also the basis for us to develop short and long term sustainable development.

1.4 Information and Feedbacks

For detailed information about the environmental and corporate governance, please refer to the official website (www.tempushold.com) and the annual report of the Group. Your opinions will be highly valued by the Group. If you have any advices or suggestions, please contact us at +852 2549-4611.

2. ENVIRONMENT AND RESOURCES

Protecting the environment is not only the common interest of all mankind but also the responsibility and obligation of every corporate citizen. The Group understands that environmental sustainability is indispensable in its daily operation.

The Group's business focuses on the design and development of "OTO" products, the promotion and management of brand, and the sales of products. Products are sold to customers primarily via retail outlets (retail stores and consignment counters). Group's subsidiary Sky Logistics and Supply Chain Limited is principally engaged in logistics distribution and warehousing management. The Group and its subsidiaries strictly abide by the laws and regulations on pollutant discharge and environmental protection in countries or regions where it operates. The retail outlets, warehouses and offices do not discharge wastewater or emit waste gas. Solid wastes are mainly cardboard, discarded product parts, used batteries, used lamps and office waste. The Group has adopted different measures to reduce the generation and discharge of waste according to local policies and actual conditions, for example, using durable packaging materials, hiring professional companies to recycle waste packaging, placing retail outlets' abandoned decoration materials at the malls' designated garbage sites, reusing promotional brochures, reusing sales props and decorations, reusing removed parts of the products, and selling non-recyclable waste parts to resource recyclers.

In addition to the water used by offices, the Group's operation has no special water demand. The retail outlets and warehouses require little water, and share a set of potable water and drainage system with shopping malls or properties. Besides electricity and vehicle fuel, the retail outlets, warehouses and offices do not use other energy sources. In order to effectively use resources and reduce energy consumption, the Group has implemented a number of measures, such as installation of Light-emitting diodes (LEDs) lights instead of ordinary lamps, reminding employees to shut down all electrical equipments after work, adjusting offices' air conditioning temperature to 26 degree Celsius, encouraging printing on both sides, recycling printed papers, and reusing office supplies. The Group also implements the Enterprise Resources Planning (ERP) system to carry out resource allocation and management of the procurement, logistics and sales of "OTO" products to reduce the consumption of resources through minimizing the use of paper documents.

During the Year, the Group decorated and renovated approximately 50 retail outlets in total. Whenever choosing decoration materials or conducting quality inspections, both the third parties and the malls would consider whether the materials were safe and environmentally friendly. The Group's operation did not exert a significant effect on the environment and natural resources.

3. GENERAL PROVISIONS OF EMPLOYMENT AND LABOR

Employee is the most valuable asset and the business foundation of a company. The Group insists on matching manpower to the job and making full use of employee's ability, and provides equal opportunities and suitable platform for employees so as to add new impetus to the Group's sustainable development.

3.1 Employees' Rights and Benefits

The Group strictly abides by the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, the Employment Regulations of the Hong Kong SAR, the Labor Relations Act of the Macao SAR, the Employment Act of Singapore, the Employment Act of Malaysia, and other relevant laws and regulations in countries or regions where it operates. Based on these regulations, the Group has established a set of open, fair and impartial human resources operation system.

The Group adheres to the principle of equality under the system and provides equal opportunities for each employee. During the recruitment process, the Group advocates diversity and does not treat the applicants differently because of their gender, age, race, religion, etc. In order to prevent the recruitment of child labor, the Group strictly abides by the laws and regulations of prohibiting the employment of juveniles in countries or regions where it operates, and verifies the identity documents when new employees are recruited. The Group has the right to terminate the labor contract of the employee who violates the Group's rules and regulations or is held criminally liable.

The Group provides competitive salary to employees based on their qualifications, contributions and years of service. The performance appraisal mechanism has also been developed to dynamically adjust salary and award bonuses based on employees' performance, service life, working attitude and the Group's performance. If an employee's performance and assessment result are excellent and in line with the job requirements, the employee will be promoted. Whereas if an employee's performance and assessment result are incompetent, the employee will be demoted.

The Group stipulates that employees work eight hours a day and five days a week, and can enjoy personal leave, marriage leave, maternity leave, funeral leave, annual leave and other holidays. Holiday arrangements are carried out according to relevant regulations. In order to monitor the employees' attendance and eliminate the situation of forced labor, the Group has formulated the attendance management system.

The Group provides Mandatory Provident Fund ("**MPF**") Schemes to its employees in the Hong Kong SAR in accordance with the MPF Schemes Ordinance of Hong Kong SAR; participates in Macao mandatory social security funds and contributions in accordance with the provisions in the Macao Social Security System and provides mandatory Industrial accident insurance to its employees; purchases work injury (or accidental injury) insurance, hospital medical insurance, retirement pension and housing provident fund for employees in the PRC in accordance with the Social Insurance Law of People's Republic of China, Housing Provident Fund Management Regulations and other provisions; and provides local employees with appropriate welfare protection according to applicable laws and regulations on social security and housing provident fund in Singapore and Malaysia.

3.2 Development Platform

The Group is active in helping employees make long-term career plans to expand their development channels by providing them with a variety of training programs. Before taking up new positions, employees are required to participate in induction training. Every year, all employees are required to participate in on-the-job training. Different positions have different training contents, for example, the contents for employees in charge of research and development includes technical development trends, new technology development and application, etc.; the contents for employees in charge of market includes market status and trends, market behavior, marketing, advertising, media, etc; the contents for employees in charge of logistics service includes warehousing, purchasing and supply management, etc.; and the contents for employees in retail outlet includes product features, sales skills and customer services. The training methods include hiring industry veterans to the Group to give lessons, participating in academic exchanges and expert lectures, attending exchanges and seminars during on-site visits, receiving network distance education, and attending training in the leading enterprises in the same industry. After training, the human resources department and the employee's own department will assess the outcomes of the training.

In addition, the Group also arranges employees in charge of maintenance to participate in trainings organized by manufacturers and then provide the other employees with trainings after returning to the maintenance department, or the manufacturers send trainers to provide these employees with trainings directly. The Group also provides international customers' service teams and technical employees with training and assistance to help them quickly respond to maintenance orders. The training contents include basic product features, sales techniques, specific skills to solve technical problems, and part management.

3.3 Occupational Health and Safety

The Group conscientiously abides by the laws and regulations on occupational health and safety in countries or regions where it operates. To ensure employees' safety and to avoid occupational hazards, the Group regularly organizes employees to participate in fire drills arranged by local property management companies. Employees in charge of are required to obtain electrician certificate before induction. Employees in warehouse are required to obtain driving license before they drive a forklift. Meanwhile, safety check will be conducted by government personnel according to the local government's requirements. Moreover, Sky Logistics and Supply Chain Limited also provides safety shoes and out-door jumpers for employees, offers financial support for employees who participate in forklift driver's license examining, formulates safe operation procedures to regulate the driving and maintenance of forklifts and hand pallet trucks, and posts two safety instructions, namely, Safety Tips of Driving Forklift and Correct Lifting Methods that are provided by Hong Kong Occupational Safety and Health Bureau at the prominent places of warehouses.

The Group not only attaches importance to the safety of employees, but also has implemented a number of measures to provide a healthy and comfortable working environment for employees, including prohibiting smoking at workplaces, arranging break time and rest area for employees, placing green plants in indoor areas, opening window for ventilation or regularly cleaning air conditioning systems, etc.

4. PRODUCTS AND SERVICES

Products and services are the lifeblood of a company. Improving operation and management levels, guaranteeing product quality and protecting consumers' rights are the keys for long-term development of a company. Hence, the Group insists on managing every aspect of its daily operation in a responsible manner.

4.1 Supply Chain Management

The goods purchased by the Group can be divided into two categories: "OTO" products and supplies for retail outlets, warehouses and offices. For "OTO" products, procurement of raw materials and production of products are accomplished by external manufacturers. When selecting a product manufacturer, the Group evaluates its track record, financial strength, production experience, reputation, production capacity of high-quality products and quality control effectiveness. The Group also conducts regular inspection on existing manufacturers. If a manufacturer's qualification ratio falls below 90% for three consecutive times during the supply period, it will be disqualified immediately and a new manufacturer will be enlisted in time so as to increase manufacturers' sense of competition.

Apart from product manufacturers, the Group's sales business in the PRC also requires to choose warehousing and logistics providers. In order to effectively control the operating costs of warehousing and transportation, the Group chooses warehousing companies according to factors like standardization degree, inventory operation, logical stacking and field investigation, and chooses logistics companies according to factors like market reputation, service attitude, transportation velocity and trial service performance.

4.2 Products Quality and Safety

The Group pays high attention to the management and monitoring of product quality. Before production, the Group will provide manufacturers with exact specifications and requirements for production, inspection and packaging. After manufacturers receive these production specifications, they will produce samples for examination and approval of the Group's designers, and then start mass production. The Group will send personnel to the production site for inspection from time to time at every stage of the production process. Before shipment, the designers will randomly check the first two batches of new products, and conduct internal inspection when the products arrive at the Group's warehouses.

The Group's manufacturers are responsible for ensuring that all raw materials and parts of the products comply with international standards (such as Conformity European) and other standards required by the Group (such as National Standard of the PRC). For nonconforming products, the Group will ask manufacturers to repair them or return them to manufacturers. After restoration, the products must be retested via the above procedures. According to the product manufacturing agreement, the manufacturers should replace defective products within 14 days after receiving notice. If the number of nonconforming products exceeds 3% of the total number of purchase order, the Group can return all nonconforming products, or request the manufacturers to return the payment of the order and compensate for the loss.

In accordance with the regulations on product safety in countries or regions where it operates, the Group clearly labels Chinese and English warnings regarding safe storage, use or disposal of the products on a conspicuous position of all products or their packaging.

4.3 After-sales Service

In order to respond quickly to customer requirements, the Group has established a team consisting of skilled engineers and technicians to provide customers with high-quality and efficient after-sales service. The Group provides one-year warranty for all products. Customers can arrange maintenance services or make complaints via visiting the retail outlets directly, calling the after-sales service hotline, and sending e-mail to the network management system. For employees with service attitude problems, the sales department will investigate the matters and punish the employees appropriately. The related customers will be informed of the results of the complaints. The Group also collects and stores customers' opinions and suggestions on products via customer relationship management system to assist the design and development of products and perfect the quality management and services.

According to the record, the Group's "OTO" flagship store on Tmall received six complaints in total during the Year. The complaints contents involved false product descriptions and price changes. The flagship store manager resolved all complaints by providing the customers with refund or compensation, and making rectifications of the store.

4.4 Product Promotion

The Group displays products through television and radio programs, newspapers, magazines, advertising posters, display boards, in-store display boards, shop windows of retail stores and department stores; conducts direct advertising through direct mail advertising to customers, holding promotion activities and special offers with financial institutions, sponsoring health care activities and projects, participating in exhibitions and other channels; and conducts indirect advertising by hiring product spokespersons. The advertising and promotional activities carried out by the Group are in compliance with the relevant laws and regulations in countries or regions where it operates. The Group also ensures that all advertising contents are clear, true and authentic. The use of false and misleading product descriptions in advertisements is strictly prevented.

4.5 Intellectual Property and Privacy Protection

Intellectual property is an important intangible asset. The Group understands the importance of protecting and strengthening intellectual property rights, and relies on relevant laws and regulations in countries or regions where it operates, such as intellectual property law and trademark law, to protect the Group's intellectual property rights. According to the product manufacturing agreement, the Group's intellectual property will not be granted to manufacturers. When selecting a manufacturer, the Group will review and verify the manufacturer's ownership of the relevant intellectual property rights, and request it to submit a copy of the intellectual property documents in relation to its products and to bear all responsibilities of the products it supplies if such products infringe the third party's intellectual property rights. The Group also abides by these laws and regulations to prevent infringing the trademark rights, patents and copyrights of others.

In addition to intellectual property, the Group also respects the privacy rights of individuals. Generally, customers' information and maintenance information are sealed. And the information on complaints is kept strictly confidential.

4.6 Information Management System

The Group has standardized the internal processes through implementation of ERP system, which carries out functional allocation and access permission on the processes of "OTO" products, such as warehousing, storage, wholesale, procurement, sales exhibition, retail sales and transfer. The system has several advantages, including simplifying inefficient, complex operating processes, assisting the Group as well as its cooperative partners manage the entire supply chain, controlling costs and risks, saving resources and budgets, increasing operational resilience, maximizing labor potential, and increasing customer satisfaction, etc..It plays positive roles in supply chain management, product services, and employees' work efficiency.

4.7 Construction of A Clean Administration

Compliance with laws, honesty and self-discipline is every Tempus person's essential qualities. The Group abides by the laws and regulations on integrity and prevention of corruption and bribery in countries or regions where it operates, and expressly prohibits any form of corruption, bribery or kickback in its labor contract and employees manual. The Group's management is also obliged to comply with the regulations on anti-corruption in the policies of the headquarters (controlling shareholder Tempus Group Limited).

5. COMMUNITY INVOLVEMENT

The Group is actively engaged in charitable undertakings by donating money to the Tempus Charitable Foundation, especially in aspects like basic education and supporting disadvantaged groups.

During the Year, Tempus Charity Foundation continued to focus on charity and public welfare, and give back to the society. To help build a kindergarten at Gaoqiao Village, Tonggu County, Yichun City, Jiangxi Province, Tempus Charity Foundation donated RMB500,000 for constructing facilities and purchasing supplies. After completion, the kindergarten would be equipped with multi-purpose classrooms, library, art room, dance room, solid wood beds, duvets, recreational facilities, etc., and will contain more than 200 children at the same time. In order to improve the infrastructure of Suqu Town, Zijin County, Tempus Charity Foundation donated RMB585,000 to Suqu Town for the construction of monitoring facilities. In order to improve the educational level in poverty-stricken areas, Tempus Charity Foundation donated RMB350,000 to the Democratic National Construction Association (Shenzhen) for a public welfare project "Siyuan Project" launched by the China Siyuan Engineering Foundation for Poverty Alleviation. In order to help solve the book shortage problem of 50 rural schools in Guangdong Province and provide children in rural schools with good books, Tempus Charity Foundation actively cooperated with the Guangdong Provincial Education Foundation and carried out the special public welfare activity "Caring for Mountainous Areas and Donating Books to Help Rural Students". Due to outstanding achievements, the Foundation was awarded of "Donating Money to Rural Students and Caring for Mountainous Areas" in November 2016.

6. PROSPECT

In the future, the Group will pay more attention to the impacts of its operations on the environment and society. While perfecting the management system and its construction, the Group will put more emphasis on integrating green concept into the design and development of products, consider energy consumption as a factor of measuring suppliers' production ability, and take practical actions to encourage suppliers to adopt green technologies and methods in the consumption, selection, packaging and operation of raw materials. In addition, the Group will also emphasize more on resource conservation and environmental protection when selecting and managing warehouses and logistics. Hopefully, the Group will aim to provide consumers with more clean and high-quality products and services, work with all sectors of the society, and make more contributions to the sustainable development of the environment and society.

The board (the "**Board**") of Directors of the Company present the annual report with the audited consolidated financial statements for the year ended 31 December 2016 together with the comparative figures for the nine months ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial periods/ years is set out on page 134 of this annual report. This summary does not form part of the audited financial statements.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 59 to 65 of this report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (for the nine months ended 31 December 2015: HK1.03 cents) to the Shareholders of the Company (the "**Shareholders**").

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017 (both dates inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 26 May 2017 ("**AGM**") or any adjournment of such meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar ("**Hong Kong Share Registrar**"), Boardroom Share Registrars (HK) Limited, at 31/F., 148 Electric Road, North Point, Hong Kong by no later than 4:30 p.m. on Monday, 22 May 2017.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 29 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Group's aggregate amounts of reserves available for distribution were approximately HK$370,539,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the amended and restated articles of association of the Company (the "**Articles of Association**") or applicable laws of the Cayman Islands where the Company was incorporated.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 17 to the consolidation financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in notes 6, 27 and 28 to the consolidated financial statements of this annual report. Bank borrowings repayable within one year or on demand are classified as current liabilities in the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the Group's sales to its five largest customers accounted for approximately 7.9% of the Group's total sales and the Group's sales to its largest customer accounted for approximately 1.8% of the Group's total sales. The Group's five largest suppliers accounted for approximately 73.0% of the Group's total purchases, while the largest supplier for the year accounted for approximately 24.2% of the Group's total purchases.

None of the Directors or their respective associates or, to the knowledge of the Directors, any of the Shareholders who owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below:

Significant competition

The Group faces significant competition from both international and local players in each of the markets it operates. The Group's market position depends on its ability to diversify and differentiate its products and to anticipate changing customer preferences. Increased competition may result in price adjustments and narrowed gross profit margins.

Operational risks

The Group's operation is subject to a number of risk factors distinctive to trading related businesses. Default on the part of the Group's suppliers, customers, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of the Group's operation. In addition, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Risk with regard to trade receivables

The recoverability of trade receivables is essential to the Group's financial conditions due to its significance as a whole and the judgements associated with the assessment of the recoverability of trade receivables, which mainly depends on the current creditworthiness and the past collection history of each customer. There is no assurance that the Group will be able to collect and realise part or full amount of the trade receivables.

Interest rate risks

Most of the Group's borrowings are floating-rate bank loans, which expose the Group to rising interest rates. We will closely monitor the interest rate risk and when appropriate adopt measures to manage the associated risk, including but not limited to, the issue of fixed rate bonds, and use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. As at 31 December 2016, the Group had not carried out any hedging activities to manage its interest rate exposure.

DIRECTORS

The Directors as at the date of this annual report are:

Executive Directors

Mr. Li Dongming *(chief executive officer) (Note 1)*
Mr. Huang Jingkai *(vice-chairman) (Note 2)*
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 *(Note 3)*
Mr. Li Qi

Notes:

(1) Mr. Li Dongming was appointed as the chief executive officer and executive Director with effect from 18 October 2016, and was appointed as an authorised representative of the Company with effect from 13 January 2017.

(2) Mr. Huang Jingkai was re-designated from chief executive officer to vice-chairman with effect from 18 October 2016.

(3) Mr. Wong Lit Chor, Alexis was appointed as an independent non-executive Director, the chairman of the audit committee of the Company, a member of the remuneration committee and the nomination committee of the Company with effect from 12 August 2016.

In accordance with the Article 105 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In accordance with Article 109 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Li Dongming was appointed as an executive Director and Mr. Wong Lit Chor, Alexis was appointed as an independent non-executive Director by the Board with effect from 18 October 2016 and 12 August 2016, respectively.

By virtue of Article 109 of the Articles of Association, Mr. Li Dongming and Mr. Wong Lit Chor, Alexis will retire from office and, being eligible, will offer themselves for re-election at the AGM.

By virtue of Article 105 of the Articles of Association, Mr. Huang Jingkai, Mr. Yip Chee Lai, Charlie and Mr. Han Biao will retire from office and, being eligible, will offer himself for re-election at the AGM.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and members of the senior management are set out on pages 51 to 54 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

The executive Director Mr. Li Dongming had entered into a service contract with the Company for a term of three years with effect from 18 October 2016 which is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles of Association. The executive Director Mr. Yip Chee Lai, Charlie had renewed his service contract with the Company for a term of two years with effect from 25 February 2017 which is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles of Association.

The independent non-executive Director Mr. Wong Lit Chor, Alexis had been appointed for an initial term of three years with effect from 12 August 2016 and is subject to termination provisions as set out in the appointment letter and provisions on retirement by rotation of the Directors as set out in the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration committee of the Company considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee of the Company to ensure that the levels of their remuneration and compensation are appropriate.

Details of the emoluments of every Director for the year is set out in note 13 to the consolidated financial statements.

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

As at 31 December 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 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 Listing Rules as adopted by the Company, were as follows:

(i) Long position in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares held (Shares)	Approximate percentage of shareholding in the Company	Number of Share options held (Shares)
Mr. Zhong Baisheng *(Note 2)*	Interest of controlled corporation	232,104,800 Shares (L)	66.3%	—
Mr. Yip Chee Lai, Charlie *(Note 3)*	Beneficial owner	6,046,000 Shares (L)	1.7%	450,000 Shares (L)
	Interests of parties to an agreement to acquire interest of the Company	17,984,000 Shares (L)	5.2%	—
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
Mr. Huang Jingkai *(Note 4)*	Beneficial owner	—	—	450,000 Shares (L)
Ms. Zhang Yan *(Note 5)*	Beneficial owner	—	—	250,000 Shares (L)
Mr. Han Biao *(Note 6)*	Beneficial owner	—	—	150,000 Shares (L)
Mr. Li Qi *(Note 7)*	Beneficial owner	—	—	150,000 Shares (L)

Notes:

(1) The letter "L" denotes the Director's long position in the Shares or underlying Shares.

(2) 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 232,104,800 shares of the Company, representing approximately 66.3% of the issued share capital of the Company.

(3) Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yep 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. Mr. Yip Chee Lai, Charlie's long position in the underlying Shares comprises 450,000 options granted to him by the Company under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2016, were exercisable as to at the subscription price of HK$3.38 per Share during the period from 31 August 2016 to 30 August 2019.

(4) Mr. Huang Jingkai's long position in the underlying Shares comprises 450,000 options granted to him by the Company under the share option scheme adopted by the Company on 25 November 2011 (the "**Share Option Scheme**"). These share options, all of which remained exercisable as at 31 December 2016, were exercisable as to at the subscription price of HK$3.38 per Share during the period from 31 August 2016 to 30 August 2019.

(5) Ms. Zhang Yan's long position in the underlying Shares comprises 250,000 options granted to her by the Company under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2016, were exercisable as to at the subscription price of HK$3.38 per Share during the period from 31 August 2016 to 30 August 2019.

(6) Mr. Han Biao's long position in the underlying Shares comprises 150,000 options granted to him by the Company under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2016, were exercisable as to at the subscription price of HK$3.38 per Share during the period from 31 August 2016 to 30 August 2019.

(7) Mr. Li Qi's long position in the underlying Shares comprises 150,000 options granted to him by the Company under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2016, were exercisable as to at the subscription price of HK$3.38 per Share during the period from 31 August 2016 to 30 August 2019.

(ii) Long position in shares of the Company's associated corporations:

Name of Director	Name of associated corporation	Number of Shares	Approximate percentage of shareholding
Mr. Zhong Baisheng	Pingfeng Jewellery	9,000,000	90%
Mr. Zhong Baisheng	Tempus Group	67,000,000	67%

Saved as disclosed above and disclosed under the paragraph headed "Share Option" in this report, as at 31 December 2016, none of the Directors and chief executive of the Company had any interest or short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the note 34 to the consolidated financial statements and in the section "Related Party Disclosures", no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, none of the Directors nor their respective associates had interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represents the interests of the Company and/or the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS

None of the directors or an entity connected with a director had a material interest, whether directly or indirectly, in any transaction, agreement or contract of significance subsisted during or at the end of the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

As at 31 December 2016, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

As at 31 December 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 held (Shares)	Approximate percentage of shareholding in the Company	Number of Share options held (Shares)
Ms. Duan Naiqi *(Note 2)*	Interests of controlled corporation	232,104,800 Shares (L)	66.3%	—
SCGC Capital Holding Company Limited	Beneficial owner	28,000,000 Shares (L)	8.0%	—
Shenzhen Capital Group Co., Ltd.	Interests of controlled corporation	28,000,000 Shares (L)	8.0%	—
Mr. Yip Chee Seng *(Note 3)*	Beneficial owner	5,774,000 Shares (L)	1.7%	—
	Interests of parties to an agreement to acquire interests of the Company	18,256,000 Shares (L)	5.2%	450,000 Shares (L)
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
Mr. Yep Gee Kuarn *(Note 3)*	Beneficial owner	6,114,000 Shares (L)	1.7%	—
	Interests of parties to an agreement to acquire interests of the Company	17,916,000 Shares (L)	5.2%	450,000 Shares (L)
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
Mr. Yip Chee Way, David *(Note 3)*	Beneficial owner	6,096,000 Shares (L)	1.7%	—
	Interests of parties to an agreement to acquire interests of the Company	17,934,000 Shares (L)	5.2%	450,000 Shares (L)
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
Mr. Tan Beng Gim *(Note 3)*	Beneficial owner	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (Shares)	Approximate percentage of shareholding in the Company	Number of Share options held (Shares)
Ms. Chua Siew Hun *(Note 3)*	Beneficial owner	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 Shares (L)	6.9%	450,000 Shares (L)
	Total	24,030,000 Shares (L)	6.9%	450,000 Shares (L)

Notes:

(1) The letter "L" denotes the person's long position in the Shares or underlying Shares of the Company.

(2) 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 232,104,800 shares of the Company, representing approximately 66.3% of the issued share capital of the Company.

(3) 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 31 December 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 registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors may, at its absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for shares:

(a) any employee ("**Eligible Employee**") (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(h) any other group of classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on the day on which trading of the shares commenced on the main board of the Stock Exchange, being 32,000,000 shares.

Unless otherwise approved by the Shareholders in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, any grant of options to a substantial Shareholder or independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not represent in aggregate over 0.1% of the shares in issue and has an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of the share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted (i.e. 25 November 2011) and shall remain effective within a period of 10 years from that date (i.e. the Share Option Scheme shall expire on 25 November 2021).

SHARE OPTION

Details of the movements in the share options during the year are set out below:

Grantees	Date of grant	Exercisable period	Exercise price per share HK$	Number of Share Options					
				Outstanding as at 1 January 2016	Granted during the year ended 31 December 2016	Exercised during the year ended 31 December 2016	Lapsed during the year ended 31 December 2016	Cancelled during the year ended 31 December 2016	Outstanding as at 31 December 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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company and the Company has not redeemed any of its shares of the Company during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 34 to the consolidated financial statements. Those transactions comprise a connected transaction and a continuing connected transaction which are fully exempt pursuant to Chapter 14A of the Listing Rules. The Board confirmed that during the year and up to the date of this report, the Company had complied with the disclosure requirement under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those have a significant impact on the Group. The Group would seek professional legal advice from its legal advisers to ensure transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the year under review, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Acting in an environmentally responsible manner, the Group strictly abides by the laws and regulations on pollutant discharge and environmental protection in countries or regions where it operates. The retail outlets, warehouses and offices do not discharge wastewater or emit waste gas. In addition to the water usage, the Group's operation has no special water demand. The Group has implemented a number of measures to effectively utilise resources and reduce energy consumption. Meanwhile, the implementation of the enterprise resources planning system to carry out resource allocation and management of the procurement, logistics and sales of "OTO" products has reduced the consumption of resources through minimising the use of paper documents.

During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects. The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely enhancing environmental sustainability. For further details, please refer to page 18 to page 24 of this report.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group accelerates development of young leaders and nurtures them in establishing study-oriented teams and keeps them abreast of updated knowledge and timely development.

The Group also aims to provide competitive and attractive remuneration packages to retain the employees. Management reviews annually the remuneration package offered to employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, the Group adopted the Share Option Scheme. Information about the scheme is set out in the paragraph headed "Share Option Scheme" in the Directors' Report. For further details, please refer to page 34 to page 36 of this report.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values the relationship with customers, as well as their feedback and opinions. In order to respond quickly to customer requirements, the Group has established a team consisting of skilled engineers and technicians to provide customers with high-quality and efficient after-sales service. In addition, the Group also collects and stores customers' opinions and suggestions on products via customer relationship management system to assist the design and development of products and perfect the quality management and services. During the year under review, the Group considered the relationship with customers was satisfactory. For further details, please refer to page 22 to page 23 of this report.

The Group's suppliers are mainly external manufacturers, and warehousing and logistics providers. The Group outsources the manufacturing of health and wellness products to third-party external manufacturers. The Group implements measures in selecting suppliers and conducts regular inspection and evaluation on existing external manufacturers. During the year under review, the Group considered the relationship with suppliers was well and stable. For further details, please refer to page 21 to page 22 of this report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 13 January 2017, the Group entered into a loan agreement with an independent third party ("**Borrower**"), pursuant to which the Group agreed to lend a term loan of one year in the principal amount of RMB25,000,000, and the controlling shareholder of the Borrower has pledged 657,900 shares of the Borrower held by him and given an unconditional and irrevocable guarantee in favour of the Group to guarantee the due repayment of the loan by the Borrower. The Group is entitled (but has no obligation) to convert the whole (but not in part) of the loan into equity interest of the Borrower upon the maturity date of the loan by subscribing new equity interest using the principal amount of the loan of RMB25,000,000 by serving a notice of conversion to the Borrower during the conversion period. For further details, please refer to Company's announcement dated 13 January 2017.

On 1 March 2017, the Group entered into tenancy agreements with Tempus Assets (Hong Kong) Limited and Shenzhen Tempus Logistics Holding Limited, respectively, in relation to the leasing of their owner-occupied properties located in Hong Kong for terms of three years commencing on 2 March 2017, with monthly rents of approximately HK$360,000 and HK$471,000. The properties will be transferred from property, plant and equipment to investment properties upon the end of owner-occupation. The transactions constitute continuing connected transactions under the Listing for Rules and for further details, please refer to the Company's announcement dated 1 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date prior to the issue of this report.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year. The Corporate Governance Report is set out on pages 40 to 50 of this report.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the management of the Company and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming AGM.

*   *For identification purposes only*

By order of the Board
Tempus Holdings Limited

Zhong Baisheng
Chairman and Non-executive Director

Hong Kong, 31 March 2017

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions set out in the CG Code in the Appendix 14 of the Listing Rules as its own code of corporate governance practice.

The Board confirmed that, during the year and up to the date of this report, the Company had complied with all applicable code provisions under the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (including amendments as effected from time to time) as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board oversees the Group's businesses, strategic decisions, internal control, risk management systems and monitors the performance of the senior management. The Directors have the responsibility to act objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the executive committee and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code.

The Board has delegated various responsibilities to the Board committees as set out in their respective terms of reference including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the executive committee (the "**Executive Committee**"). Further details of these committees are set out in the paragraphs below.

As at the date of this report, the Board comprises three executive Directors namely, Mr. Li Dongming (chief executive officer), Mr. Huang Jingkai (vice-chairman) and Mr. Yip Chee Lai, Charlie; two non-executive Directors namely, Mr. Zhong Baisheng (chairman) and Ms. Zhang Yan; and three independent non-executive Directors namely, Mr. Han Biao, Mr. Wong Lit Chor, Alexis and Mr. Li Qi. The profiles of each Director are set out in the "Biographies of Board of Directors and Senior Management" section in this annual report.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In compliance with the code provision in A.2.1 of the CG Code, the roles of the chairman and the chief executive officer are separated and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual. The chairman, Mr. Zhong Baisheng, is responsible for leadership of the Board and strategic planning of the Group while the chief executive officer, Mr. Li Dongming, is responsible for formulating and executing the business strategy approved by the Board and overall business management. There is a clear division of responsibilities between the chairman and chief executive officer.

DIRECTORS' ATTENDANCE RECORDS

Four Board meetings were held during the year under review.

Details of directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee held during the year under review are set out in the following table:

	Number of meetings attended/Eligible to attend during the year			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Dongming *(Note 1)*	1/1			
Mr. Huang Jingkai	4/4	—	—	—
Mr. Yip Chee Lai, Charlie	4/4	—	—	—
Non-executive Directors				
Mr. Zhong Baisheng	4/4	—	—	—
Ms. Zhang Yan	4/4	—	—	—
Independent non-executive Directors				
Mr. Han Biao	4/4	2/2	1/1	1/1
Mr. Wong Lit Chor, Alexis *(Note 2)*	2/2	1/1	N/A	N/A
Mr. Li Qi	4/4	2/2	1/1	1/1
Mr. Liu Yaohui *(Note 3)*	1/1	1/1	1/1	1/1

Notes:

(1) Mr. Li Dongming was appointed as the chief executive officer and executive Director with effect from 18 October 2016.

(2) Mr. Wong Lit Chor, Alexis was appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee with effect from 12 August 2016.

(3) Mr. Liu Yaohui resigned as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee with effect from 11 April 2016.

BOARD MEETINGS

Board meetings are held regularly for at least four times a year at approximately quarterly intervals and ad-hoc meetings are also convened if necessary to discuss the overall strategy as well as financial performance of the Group, and to review and approve the Group's annual and interim results. Notice of Board meeting is normally sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice is given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors before meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to suggest matters in the agenda for Board meetings. Directors have access to the services of the company secretary to ensure that the Board procedures are followed.

Minutes of the board meetings and committee meetings are recorded in sufficient details of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

In addition to regular Board meetings, the chairman of the Board met with the independent non-executive Directors without the presence of the executive Directors.

A list of directors is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to attend relevant training courses and seminars to strengthen their skill sets and knowledge on understanding of current issues and developments of the financial and business environment. During the year, all the Directors have attended the workshop conducted by a professional and licensed solicitor pertaining to the updates on the Listing Rules and responsibilities and/or duties of directors, as well as training courses relevant to his/her professional. The Directors will continue to undergo training that may be required from time to time keeping abreast with latest changes in laws, regulations and the business environment.

DIRECTORS' ATTENDANCE AT GENERAL MEETING

During the year under review, the Company held an annual general meeting on 17 May 2016 ("**2015 AGM**"). The attendance of each Director is set out in the table below.

	2015 AGM
Executive Directors	
Mr. Li. Dongming (chief executive officer) *(Note 1)*	N/A
Mr. Huang Jingkai (vice-chairman) *(Note 2)*	√
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 *(Note 3)*	N/A
Mr. Li Qi	√

Notes:

(1) Mr. Li Dongming was appointed as the chief executive officer and executive Director with effect from 18 October 2016, and was appointed as an authorised representative of the Company with effect from 13 January 2017.

(2) Mr. Huang Jingkai was re-designated from chief executive officer to vice-chairman with effect from 18 October 2016.

(3) Mr. Wong Lit Chor, Alexis was appointed as an independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee with effect from 12 August 2016.

Remarks:

√ represents attendance × represents absence N/A represents not applicable

In respect of Code Provision E.1.2 of the CG Code, Mr. Han Biao, the chairman of the Remuneration Committee and the Nomination Committee, was unable to attend the 2015 AGM due to other business engagement. Other committee members, however, attended the 2015 AGM and made themselves available to answer questions to ensure effective communication with the Shareholders.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the Shareholders.

BOARD COMMITTEES

Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Mr. Wong Lit Chor, Alexis, Mr. Han Biao and Mr. Li Qi, all being independent non-executive Directors. Mr. Wong Lit Chor, Alexis is the chairman of the Audit Committee. The primary duties of the Audit Committee include:

i. to review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditors before submission to the Board;

ii. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

iii. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has reviewed the Group's consolidated financial statements for the year including the accounting principles and practice adopted by the Group. The Audit Committee has also reviewed the internal control and risk management system of the Group for the year.

During the year, the Audit Committee performed the duties and responsibilities under its terms of reference as published on the websites of the Stock Exchange and the Company and other duties of CG Code.

Two Audit Committee meetings were held during the year. At the meetings, the Audit Committee has performed the following:-

i. reviewed the annual results of the Group for the year ended 31 December 2015;

ii. reviewed the interim results of the Group for the six months ended 30 June 2016; and

iii. reviewed the financial status and performance, internal control and risk management systems of the Group for the year ended 31 December 2015 and six months ended 30 June 2016.

Remuneration Committee

As at the date of this report, the Remuneration Committee consists of three independent non-executive Directors, namely Mr. Han Biao, Mr. Wong Lit Chor, Alexis and Mr. Li Qi. Mr. Han Biao is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure that none of the Directors of any of his/her associates will participate in determining or will determine their own remuneration.

The Board retains its power to determine the individual remuneration package of all individual Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group and at the recommendation of the Remuneration Committee.

All Directors do not participate in determining their own remuneration.

Details of the Directors' remuneration for the year ended 31 December 2016 are set out in note 13 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policy" section contained in the Management Discussion and Analysis on page 16 of this report.

One meeting of the Remuneration Committee had been held during the year.

Nomination Committee

As at the date of this report, the Nomination Committee consists of three members, namely Mr. Han Biao, Mr. Wong Lit Chor, Alexis and Mr. Li Qi. Mr. Han Biao is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

i. to review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

ii. to identify suitable candidates for appointment as Directors;

iii. to make recommendations to the Board on appointment or reappointment of and succession planning for Directors; and

iv. to assess the independence of the independent non-executive Directors.

When there is a vacancy, the Nomination Committee identifies suitably qualified candidates and reviews, among others, the character and integrity, qualifications, business experience relevant and beneficial to the Company, capabilities, knowledge, skills or experience and whether the candidates would satisfy those needs, and independence criteria as stipulated in the Listing Rules for independent non-executive directors, of such candidates for determining the suitability to the Group. After due and careful consideration by the Nomination Committee, it will proceed to recommend the identified candidates to the Board for consideration.

One meetings of the Nomination Committee had been held during the year.

Executive Committee

The Company has set up the Executive Committee which is responsible for implementing the corporate strategy, monitoring the business performances and exercising the powers and authority delegated by the Board. It comprises three executive Directors, namely Mr. Li Dongming, Mr. Huang Jingkai and Mr. Yip Chee Lai, Charlie. Meetings of the Executive Committee are held once every week or every other week. Several senior managements are also invited to participate in the meetings.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for these purposes.

CORPORATE GOVERNANCE

The Board is entrusted with the overall responsibility to maintain a good standard of corporate governance practices and business ethics within the Group. Under the terms of reference of the corporate governance function, the Board is responsible to develop and review the Company's policies and practices on corporate governance and make recommendations; review and monitor the training and continuous professional development of Directors and senior management; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

FINANCIAL REPORTING

Directors' Responsibility on the Financial Statements

The Directors acknowledge their responsibility for preparing, with the support from the finance department of the Group, the financial statements of the Company and the Group and are responsible for overseeing the preparation of financial statements for the year ended 31 December 2016 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the year. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

In the preparation of financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards have been consistently complied with. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner.

A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 55 to 58 of this report.

Independent Auditor's Remuneration

During the year, the Group was charged HK$1,300,000 for auditing services and approximately HK$1,075,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

	Fee paid/payable HK$'000
Annual audit services	1,300
Other services:	
Review of interim results	320
Financial due diligence services	45
Reporting accountants on major acquisition	710
Total	2,375

The Audit Committee will recommend the re-appointment of Deloitte Touche Tohmatsu for audit service, and consider the engagement of the non-audit services to ensure the independence and objectively of audit service.

RISK MANAGEMENTS AND INTERNAL CONTROL

To maintain sound risk management and internal control systems is of vital importance to fulfill the Group's business objectives and its long-term sustainable growth. The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving the Group's strategic goals, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems to safeguard shareholders' investment and the Group's assets.

The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives, such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the year, the Group engaged an external consultant and conducted a comprehensive review of the Group's risk management and internal control systems. The Board has also annually reviewed the effectiveness of the risk management and internal control systems and the Group's internal audit function through discussion with the Audit Committee on audit findings and control issue and considered them effective and adequate.

Risk Management

The Company has developed an integrated risk management framework by reference to the Committee of Sponsoring Organization of the Trendway Commission Principles, to identify potential events that may affect the Group, manage the associated risks and opportunities and provide reasonable assurance that Group's strategic goal will be achieved.

The Board is responsible for overseeing the risk management framework and reviewing the major existing and potential risks and their respective mitigating measures. The Audit Committee is responsible for reviewing the adequacy and effectiveness of risk management and internal control system of the Group and advising the Board on the same. The Executive Committee is responsible for formulating and executing the risk management policies, monitoring and assessing and mitigating the risks identified and ensuring the effective implementation of risk management framework. The business units are responsible for risk identification and execution of risk management measures from daily operation.

Risks are segregated into four broad categories: strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach are adopted to ensure a comprehensive risk management process. The bottom-up approach is supported by business units and other functional units to identify and prioritise the risks whilst the top-down approach identifies, assesses and mitigates the risks at corporate level.

The Board reviews the Group's risk management system annually. After reviewing the Group's risk management system, the Board considers that its risk management system during the year is effective and adequate as a whole.

Internal Controls

The Group has its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, as well as independent access to third party financing. As such, the Directors believe that the Group is financially independent from the controlling shareholders of the Company and their/its associates.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board reviews the Group's internal control system annually. After reviewing the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staffs with appropriate qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year.

INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Group's sets out guidelines and procedures to the employees of the Group, while the employees of the Group undertake to ensure inside information of the Group is not to be disseminated to the public unless the Board decides such information is regarded as inside information and requires disclosure in accordance with the Listing Rules. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain its confidentiality. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues.

COMPANY SECRETARY

The company secretary of the Company, Mr. Ho Hang Man ("**Mr. Ho**"), is responsible for supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed and advising the Board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

The profile of Mr. Ho is set out in the "Biographies of Board of Directors and Senior Management" section in this report. According to Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours or the relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company aims to maintain amicable relationships with its Shareholders and investors, and to enhance the transparency of its business operations. Annual/interim reports, announcements and press releases are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tempushold.com which are constantly being updated in a timely manner and so contain additional information on the Group's business.

The hotline of the Company is +852 2549-4611, and its fax number is +852 2559-0126, through which the Company makes replies to the written or direct enquiries regarding all kinds of maters by Shareholders and investors.

The Company's annual general meeting of Shareholders is an important channel for directors and Shareholders to communicate with each other. Shareholders are given the opportunity to participate actively during the annual general meetings and query the Board and management regarding the Group's business and financial statements. The chairman of the Company himself presides over the annual general meeting to ensure the opinions of the directors can be passed directly to the Board. In an annual general meeting, the Board and chairman of the Audit Committee will participate in the questions raised by Shareholders, and the chairman of the Company will come up with individual resolutions in respect of every issue raised in the annual general meeting.

Procedures for shareholders to convene an Extraordinary General Meeting

The following procedures are subject to the memorandum of association and the Articles of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "**EGM**") to be called by the Board for the transaction of any business specified in such requisition.
- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux road West, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Shareholders.

- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.
- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the extraordinary general meeting under the Cayman Islands Companies Law (2011 Revision). However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong by post or by fax to +852 2559-0126 for the attention of the company secretary of the Company. Upon receipt of the enquiries, the company secretary of the Company will forward:

1. communications relating to matters within the Board's purview to the executive Directors;
2. communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

Biographies of each Directors and members of the senior management team are set out below:

EXECUTIVE DIRECTORS

Mr. Li Dongming ("Mr. Li"), aged 42, is the executive Director, chief executive officer and member of Executive Committee of the Company. Mr. Li has extensive experience in the areas of capital markets, finance, asset management, etc. Prior to the present appointment, Mr. Li served as a general manager of Shenzhen Harmony Investment Funds Co., Ltd.* (深圳市同心投資基金股份公司) from May 2013 to October 2016. From August 2010 to May 2013, he was a general manager of a subsidiary and the Department of Planning and Cooperation of the China Development Bank Capital Co., Ltd.* (國開金融有限責任公司). From February 2008 to August 2010, he was an executive president of Beijing Xinheng Investment Management Co., Ltd.* (北京鑫恒投資管理有限公司). Mr. Li previously assumed certain managerial positions in several state owned financial institutions. Mr. Li has been serving as an independent non-executive director of Shenzhen Centralcon Investment Holding Co., Ltd.* (深圳市中洲投資控股股份有限公司) (000042.SZ) since October 2013 and a director of Guangdong Fuyuan Technology Co., Ltd.* (廣東富源科技股份有限公司) (a National Equities Exchange and Quotations listed company, stock code: 834315) since June 2015. He was also an independent non-executive director of Shenzhen Tempus Global Business Service Holding Ltd.* (深圳市騰邦國際商業服務股份有限公司) (300178.SZ) from November 2014 to October 2016. Mr. Li graduated from Shandong University of Finance and Economics with a bachelor's degree majoring in planning and statistics in 1996. He obtained a master and a doctoral degree from the Department of National Economic Management of Renmin University of China in 1999 and 2006, respectively.

Mr. Huang Jingkai ("Mr. Huang"), aged 34, is the executive Director, vice-chairman and member of Executive Committee of the Company. He is also the director of 騰邦集團有限公司 (Tempus Group Co., Ltd.*) ("**Tempus Group**"). Mr. Huang is responsible for formulating and executing the business strategy and overall management of the Group. Mr. Huang obtained the legal professional qualification certificate from the Ministry of Justice of the PRC. He has the qualification certificate of secretary of board of directors issued by the Shenzhen Stock Exchange. He obtained Bachelor of Arts and Bachelor of Laws. Mr. Huang is also a graduate of the senior business administration seminar of the University of Tsinghua of the PRC. Mr. Huang is深圳市福田區第六屆人民代表大會常務委員會委員(a member of the 6th standing committee of the People's Congress of the Futian District of Shenzhen*).

Mr. Yip Chee Lai, Charlie ("Mr. Charlie Yip"), aged 57, is the executive Director, vice president and member of Executive Committee of the Company. Mr. Charlie Yip participates the Group's general management as a member of Executive Committee and is particularly responsible for the product research and development, marketing and customer service of the Group and Hong Kong and Macau Market. Mr. Charlie Yip received education to GCE Advance Level in Singapore in 1979. He has been contributing to the growth of "OTO" brand business and brand development for more than 30 years. Mr. Charlie Yip is a member of the Hong Kong Institute of Directors.

NON-EXECUTIVE DIRECTORS

Mr. Zhong Baisheng ("Mr. Zhong"), aged 51, is the chairman and non-executive Director of the Company. Mr. Zhong is responsible for leadership of the Board and strategic planning of the Group. Mr. Zhong is the founder and chairman of Tempus Group and the chairman of the深圳市騰邦國際商業服務股份有限公司(Shenzhen Tempus Global Business Service Holding Ltd.*) ("**Tempus Global**") which is a joint stock company incorporated in the PRC with limited liability with its A shares listed on the Shenzhen Stock Exchange (stock code: 300178). Mr. Zhong is 中國人民政治協商會議廣東省深圳市第六屆常務委員會委員(a member of the 6th standing committee of the Chinese People's Political Consultative Committee of Shenzhen City of Guangdong Province*).

Ms. Zhang Yan ("Ms. Zhang"), aged 35, is the non-executive Director. Ms. Zhang is responsible for advising the Board on fund management. Ms. Zhang is the director and treasurer of Tempus Group. Ms. Zhang has approximately 9 years of corporate banking experience in Industrial and Commercial Bank of China before she joined Tempus Group, of which 3 years was the head of corporate banking department of Industrial and Commercial Bank of China (Canada). Ms. Zhang obtained her Bachelor of Economics from the School of Economics and Management of University of Tsinghua of the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Biao ("Mr. Han"), aged 53, is the independent non-executive Director, the chairman of Nomination Committee and Remuneration Committee and member of Audit Committee. Mr. Han is the Professor and mentor for Doctor of Philosophy degree candidate of the School of Economics of the University of Shenzhen of the PRC. He was an independent director of Tempus Global from April 2011 to April 2014. He was an independent director of深圳市機場股份有限公司(Shenzhen Airport Co. Limited*) from 2004 to 2008 and an independent director of深圳香江控股股份有限公司(Shenzhen Heungkong Holding Co., Ltd*) from 2004 to 2007. Mr. Han is a member of the standing committee of the Chinese Association of Quantitative Economics. Mr. Han obtained his Doctor of Economics from the Northern Jiaotong University of the PRC, his Master of Engineering from西安公路學院(Xian Highway Institute*) of the PRC and his Bachelor of Engineering from西安公路學院(Xian Highway Institute*) of the PRC.

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 59, is the independent non-executive Director, the chairman of Audit committee and member of Nomination Committee and Remuneration Committee. Mr.Wong is the deputy chief executive officer of a Main Board listed company which is engaged in the hospitality and property investment businesses. Mr. Wong has over 35 years of banking, investment, corporate finance and securities dealing experience gained from working as a senior executive in a number of listed local and PRC financial services companies. He has been serving as an INED and the chairman of the audit committee of Inspur International Limited (0596.HK) since March 2003 and an INED of China Fortune Holdings Limited (0110.HK) since September 2006. Mr. Wong graduated from the University of Toronto, Canada in 1981 with a Bachelor's degree in Arts majoring in Economics and Commerce. In 1987, he obtained a Master of Business Administration degree from The Chinese University of Hong Kong.

Mr. Li Qi ("Mr. Li"), aged 61, is the independent non-executive Director and member of Audit Committee, Nomination Committee and Remuneration Committee. Mr. Li is a doctor of economics, a professor in E-commerce of Xi'an Jiaotong University and a doctoral tutor. He is the director of the西安交通大學電子商務研究所(E-Commerce Institute of Xi'an Jiaotong University*). Mr. Li was the vice chairman of the國家教育部高等學校電子商務專業教學指導委員會(Steering Committee of Professional E-commerce Education of Colleges and Universities*) under the Ministry of Education from 2006 to 2010 and from 2013 to 2017. He was the deputy dean of School of Economics and Finance of Xi'an Jiaotong University. He is a member of the國家教育部學科發展與專業設置專家委員會(Discipline Development and Major Setting Experts Committee*) under the Ministry of Education from 2006 to 2010. He was also a member of the國家商務部電子商務專家諮詢委員會(E-commerce Experts Consultative Committee*) under the Ministry of Commerce from 2012 to 2015 and a member of the陝西省決策諮詢委員會(Shaanxi Decision marking and Advisory Committee*) from 2014. Mr. Li is the director of the 陝西省電子商務與電子政務重點實驗室(Shaanxi Key Laboratory of E-Commerce and E-Government*) and the director of the全國高校電子商務與電子政務聯合實驗室(National Joint Laboratory for all colleges and universities*). Mr. Li was conferred the honorary title "教學名師(Top Teacher*)" by the Xi'an Jiaotong University in 2007. He was awarded the 中國電子商務十年百人榮譽紀念獎 (Honorary Memorial Award for Top One Hundred Figures of a decade in China E-commerce) by the Internet Society of China in 2008 and the中國電子商務十年發展突出貢獻獎 (Outstanding Contribution Award in 10 Years' Development of China E-commerce) by China Electronic Commerce Association in 2009 and won the國家級教學成果二等獎(Second prize of National Teaching Achievement Prize*) in 2009. The 鄭州市企業電子商務發展研究(Research of Enterprise E-commerce Development in Zhengzhou*) under the charge of Mr. Li was awarded "決策研究優秀成果 (Outstanding Decision-making Research Achievement*)" by the People's Government of Zhengzhou in 2010. He was also awarded "人文社會科學優秀科研工作者(Outstanding Science Researcher in Humanities and Social Sciences*)" by Xi'an Jiaotong University in 2010.

The Directors have confirmed that there is no other information which is required to be disclosed under Rule 13.51 (2) (h)-(v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Sun Yifei ("Mr. Sun"), aged 33, is the vice president and investment controller of the Company since February 2017. Prior to joining Tempus Group, Mr. Sun has approximately nine years of experience in finance and investment. Mr. Sun obtained his Master and Bachelor degree of Management both from the Department of Information Management of Peking University, and obtained his double major of Bachelor degree of economics from China Center for Economic Research (CCER) of Peking University.

Mr. Ho Hang Man ("Mr. Ho"), aged 33, is the company secretary of the Company. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants and has extensive experience in accounting, auditing, financial management and corporate governance matters. Mr. Ho received his Bachelor of Business Administration degree in Finance and Management Organisation from The Hong Kong University of Science and Technology in 2006. Mr. Ho does not have any relationships with any Directors, senior management or substantial shareholders of the Company. Prior to joining the Company, Mr. Ho was the company secretary of Top Spring International Holdings Limited (03688.HK).

Mr. Liu Guanjia ("Mr. Liu"), aged 32, is the strategy controller of the Company since July 2015. Prior to joining Tempus Group, Mr. Liu has approximately five years of strategic consulting service experience in global business consulting service department in IBM China Company Limited, and subsequently worked as director of strategy in a mobile internet sector high and new technology enterprise which listed on the Nasdaq. Mr. Liu obtained his Bachelor of Economics and Master of Management Science and Engineering from the School of Economics and Management of Beijing University of Posts and Telecommunications, and obtained the PMP certification (Project Management Professional Qualification Certification) awarded by Project Management Institute (PMI) in the United States in 2013.

Deloitte.
德勤

TO THE SHAREHOLDERS OF TEMPUS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tempus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 59 to 133, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the judgements are required by the management associated with the assess of the recoverability of overdue trade receivables by the management of the Group. As disclosed in the note 24 to the consolidated financial statements, the trade receivables amounted to HK$64,941,000, out of which HK$25,555,000 were past due but not impaired as at 31 December 2016. As disclosed in note 4 to the consolidated financial statements, in determining the recoverability of overdue trade receivables, management judgements are required in assessing the ultimate realisation of these receivables, including the business relationship with customers and the past collection history of each customer.	Our procedures in relation to the recoverability of trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management; • Testing the aging of trade receivables, on a sample basis, to the supporting documents and the credit term granted; • Discussing with management on their assessment based on the business relationship with customers in relation to overdue trade receivables with/without settlement; and • Evaluating the management's assessment on the recoverability of trade receivables by examining the settlement history and the collection after the end of reporting period of these debtors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**1.1.2016 to 31.12.2016 HK$'000**	1.4.2015 to 31.12.2015 HK$'000
Revenue	7	**471,735**	335,388
Other income	8	**6,615**	5,134
Other gains and losses	9	**(655)**	(5,918)
Changes in inventories of finished goods		**685**	12,925
Finished goods purchased		**(180,581)**	(124,218)
Staff costs		**(113,326)**	(70,030)
Depreciation expense		**(11,098)**	(6,325)
Finance costs	10	**(438)**	(260)
Other expenses		**(187,949)**	(130,321)
(Loss) profit before tax	11	**(15,012)**	16,375
Income tax expense	12	**(2,742)**	(4,156)
(Loss) profit for the year/period		**(17,754)**	12,219
Other comprehensive expense for the year/period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(4,503)**	(3,484)
Total comprehensive (expense) income for the year/period		**(22,257)**	8,735
(Loss) profit for the year/period attributable to:			
Owners of the Company		**(17,617)**	12,219
Non-controlling interest		**(137)**	—
		(17,754)	12,219
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(22,120)**	8,735
Non-controlling interest		**(137)**	—
		(22,257)	8,735
(Loss) earnings per share	16		
Basic and diluted (HK$)		**(0.05)**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTES	31.12.2016 HK$'000	31.12.2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**277,414**	24,674
Investment property	18	**10,254**	10,254
Deferred tax assets	19	**1,253**	1,253
Intangible assets	20	**3,807**	—
Goodwill	21	**2,657**	—
Utility and other deposits paid	22	**9,773**	7,586
		305,158	43,767
Current assets			
Inventories	23	**33,321**	32,636
Trade and other receivables and prepayments	24	**90,017**	65,072
Utility and other deposits paid	22	**9,446**	7,542
Deposit placed at an insurance company	22	**—**	3,247
Amounts due from related companies	25	**815**	175
Tax recoverable		**1,138**	1,138
Pledged bank deposits	22	**11,545**	12,027
Bank balances and cash	22	**171,045**	333,939
		317,327	455,776
Current liabilities			
Trade and other payables	26	**56,036**	65,347
Amounts due to related companies	25	**53**	361
Amount due to an intermediate holding company	25	**686**	635
Obligations under finance leases	27	**2,355**	124
Tax payable		**3,601**	3,110
Bank borrowings	28	**152,684**	8,557
Bank overdraft	22	**938**	—
		216,353	78,134
Net current assets		**100,974**	377,642
Total assets less current liabilities		**406,132**	421,409
Non-current liability			
Obligations under finance leases	27	**4,790**	213
Net assets		**401,342**	421,196

	NOTES	**31.12.2016 HK$'000**	31.12.2015 HK$'000
Capital and reserves			
Share capital	29	**27,279**	27,279
Reserves		**370,539**	393,917
Equity attributable to owners of the Company		**397,818**	421,196
Non-controlling interest		**3,524**	—
Total equity		**401,342**	421,196

The consolidated financial statements on pages 59 to 133 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Li Dongming
DIRECTOR

Huang Jingkai
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 (Note (a))	Statutory reserve HK$'000 (Note (b))	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2015	25,106	229,344	32	—	(903)	(128,447)	1,072	151,410	277,614	—	277,614
Profit for the period	—	—	—	—	—	—	—	12,219	12,219	—	12,219
Other comprehensive expense for the period - exchange difference arising on translation	—	—	—	—	(3,484)	—	—	—	(3,484)	—	(3,484)
Total comprehensive (expense) income for the period	—	—	—	—	(3,484)	—	—	12,219	8,735	—	8,735
Recognition of equity-settled share-based payments	—	—	—	960	—	—	—	—	960	—	960
Issue of shares upon share allotment	2,173	134,467	—	—	—	—	—	—	136,640	—	136,640
Transfer to statutory reserve	—	—	—	—	—	—	658	(658)	—	—	—
Dividends paid (note 15)	—	—	—	—	—	—	—	(2,753)	(2,753)	—	(2,753)
At 31 December 2015	**27,279**	**363,811**	**32**	**960**	**(4,387)**	**(128,447)**	**1,730**	**160,218**	**421,196**	**—**	**421,196**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,617)**	**(17,617)**	**(137)**	**(17,754)**
Other comprehensive expense for the year - exchange difference arising on translation	**—**	**—**	**—**	**—**	**(4,503)**	**—**	**—**	**—**	**(4,503)**	**—**	**(4,503)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(4,503)**	**—**	**—**	**(17,617)**	**(22,120)**	**(137)**	**(22,257)**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**2,346**	**—**	**—**	**—**	**—**	**2,346**	**—**	**2,346**
Transfer upon forfeiture of share options	**—**	**—**	**—**	**(85)**	**—**	**—**	**—**	**85**	**—**	**—**	**—**
Acquisition of subsidiaries (note 30(i))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,661**	**3,661**
Transfer to statutory reserve	**—**	**—**	**—**	**—**	**—**	**—**	**861**	**(861)**	**—**	**—**	**—**
Dividends paid (note 15)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,604)**	**(3,604)**	**—**	**(3,604)**
At 31 December 2016	**27,279**	**363,811**	**32**	**3,221**	**(8,890)**	**(128,447)**	**2,591**	**138,221**	**397,818**	**3,524**	**401,342**

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 ("OTO BVI") upon the group reorganisation 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(15,012)**	16,375
Adjustments for:		
Depreciation of property, plant and equipment	**11,098**	6,325
Finance costs	**438**	260
Gain on fair value of investment property	**—**	(654)
Loss on write-off of property, plant and equipment	**29**	1,188
Interest income on deposit placed at an insurance company	**—**	(140)
Share-based payment expense	**2,346**	960
Bank interest income	**(2,005)**	(1,597)
Operating cash flows before movements in working capital	**(3,106)**	22,717
Increase in inventories	**(2,351)**	(10,242)
Increase in trade and other receivables and prepayments	**(14,714)**	(21,900)
(Increase) decrease in utility and other deposits paid	**(586)**	1,773
(Increase) decrease in amounts due from related companies	**(640)**	15
(Decrease) increase in trade and other payables	**(17,933)**	27,869
(Decrease) increase in amounts due to related companies	**(308)**	361
Increase in amount due to an intermediate holding company	**51**	635
Cash (used in) generated from operations	**(39,587)**	21,228
Macau Complimentary Income Tax paid	**(545)**	(1,315)
PRC Enterprise Income Tax paid	**(1,546)**	(1,356)
Malaysian Corporate Income Tax paid	**(22)**	(22)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(41,700)**	18,535

	NOTES	**1.1.2016 to 31.12.2016 HK$'000**	1.4.2015 to 31.12.2015 HK$'000
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months		**(7,000)**	(140,000)
Withdrawal of bank deposits with original maturity over three months		**140,000**	1,265
Net cash outflow from acquisition of business	30(i)	**(5,876)**	(4,852)
Net cash outflow from acquisition of assets through acquisition of subsidiaries	30(ii)	**(249,747)**	—
Interest received		**2,005**	987
Additions of property, plant and equipment		**(7,284)**	(16,320)
Decrease (increase) in pledged bank deposits		**482**	(143)
Withdrawal of deposit placed at an insurance company		**3,247**	—
NET CASH USED IN INVESTING ACTIVITIES		**(124,173)**	(159,063)
FINANCING ACTIVITIES			
Dividends paid	15	**(3,604)**	(2,753)
Repayments of obligations under finance leases		**(516)**	(187)
Interest paid		**(438)**	(260)
Repayment of bank borrowings		**(45,218)**	(69,383)
New bank borrowings raised		**186,157**	52,129
Proceeds from issue of shares		**—**	136,640
NET CASH FROM FINANCING ACTIVITIES		**136,381**	116,186
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(29,492)**	(24,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		**193,939**	219,699
Effect of foreign exchange rate changes		**(1,340)**	(1,418)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		**163,107**	193,939
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**171,045**	333,939
Bank deposits with original maturity over three months		**(7,000)**	(140,000)
Bank overdraft		**(938)**	—
		163,107	193,939

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The immediate holding company of the Company is Tempus Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and the ultimate holding company of the Company is Tempus Group Co., Ltd., a company established in the PRC. The ultimate controlling party is Mr. Zhong Baisheng, the chairman of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 - 1111, Cayman Islands and its principal place of business is located on 26th Floor, Pacific Plaza, 410 Des Voeux West, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

Change of financial year end date

During the period ended 31 December 2015, the financial year end date of the Group had 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 considered 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 comparative financial period covered a nine-month period from 1 April 2015 to 31 December 2015 and were therefore may not be comparable with the current financial period which covered a twelve-month period from 1 January 2016 to 31 December 2016.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior periods and/or on the disclosures set out in these financial statements.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(Continued)*

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases* *(Continued)*

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$90,623,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRS will have no material impact of the amounts reported and disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Logistics services income are recognised when the relevant services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposit placed at an insurance company, trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related companies and an intermediate holding company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instrument

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from '(loss) profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recoverability of trade receivables

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. Judgements are required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2016, the carrying amount of trade receivables is HK$64,941,000 (31 December 2015: HK$52,319,000), whereas no written off is made during the year/period.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 December 2016 amounting to HK$33,321,000 (31 December 2015: HK$32,636,000).

Fair value measurement and valuation process

In estimating the fair value on assets that are measured at fair value for financial reporting purpose, the directors of the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the directors of the Company works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The directors of the Company will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the directors of the Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Investment property is stated at fair value based on the valuation performed by independent professional valuer. The determination of the fair value involves certain assumptions of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group’s investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The carrying amount of investment property as at 31 December 2016 amounting to HK$10,254,000 (31 December 2015: HK$10,254,000). Note 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior period.

The capital structure of the Group consists of debts, which includes bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2016 **HK$'000**	31.12.2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**253,226**	406,313
Financial liabilities		
Liabilities at amortised cost	**188,394**	62,878

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's foreign currency monetary assets are mainly trade and other receivables, amounts due from related parties and bank balances and cash, and the Group's foreign currency monetary liabilities are mainly trade payables, bank borrowings and amounts due to related parties.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**21,273**	117,100	**10,775**	18,686
HK$	**7,980**	13,747	**—**	—
Renminbi ("RMB")	**8,242**	7,985	**43**	54
Singapore dollar ("SGD")	**22**	285	**—**	2
Euro ("EUR")	**5,003**	—	**—**	—

Sensitivity analysis

As US$ and MOP are pegged to HK$, the sensitivity analysis does not include US$ denominated assets and liabilities held by entity with HK$ as its functional currency and HK$ denominated assets held by entity with MOP as its functional currency, as it is expected that there would be no material currency risk exposure.

The Group is mainly exposed to the currency risk of RMB, SGD and EUR against HK$.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis *(Continued)*

The following table details the Group's sensitivity to a 10% (period ended 31 December 2015: 10%) increase or decrease in HK$ against RMB, SGD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (for the period from 1 April 2015 to 31 December 2015: 10%) change in foreign currency rates. The following table indicates the impact to the loss/profit after tax where HK$ strengthens 10% (for the period from 1 April 2015 to 31 December 2015: 10%) against the respective foreign currencies. For a 10% (for the period from 1 April 2015 to 31 December 2015: 10%) weakening of HK$ against the foreign currency, there would be an equal and opposite impact on the loss/profit after tax.

	Increase in loss 31.12.2016 HK$'000	Decrease in profit 31.12.2015 HK$'000
RMB impact	**685**	663
SGD impact	**2**	24
EUR impact	**418**	—

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate deposit placed at an insurance company, fixed-rate bank deposits (note 22) and fixed-rate obligations under finance leases (note 27). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is insignificant.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate, Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the Group's borrowings.

Sensitivity analysis

In the opinion of the directors of the Company, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact on the Group's results for the year is not significant as the interest rates are low and did not fluctuate significantly during the year/period.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year/period. A 50 basis points (for the period from 1 April 2015 to 31 December 2015: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (for the period from 1 April 2015 to 31 December 2015: 50 basis points) higher and all other variables were held constant, the potential effect on the Group's loss/profit after tax during the year/period is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Increase in loss/decrease in profit	**637**	36

If interest rates had been 50 basis points (for the period from 1 April 2015 to 31 December 2015: 50 basis points) lower and all other variables were held constant, there would be an equal and opposite impact on the loss/profit after tax.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances.

The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the majority of the counterparties are banks with good reputation. The credit risk on receivables from department stores and corporate customers are limited because all department stores and corporate customers have good repayment records.

The credit risk on amounts due from related parties are insignificant after considering the financial strength of these related entities.

The Group has concentration of credit risk as 35% (31 December 2015: 41%) of the total trade receivables represented amounts due from the Group's largest five trade debtors which mainly include department stores and wholesale customers.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(iv) Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk (Continued)

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016						
Non-derivative financial liabilities						
Trade and other payables	—	34,033	—	—	34,033	34,033
Amounts due to related companies	—	53	—	—	53	53
Amount due to an intermediate holding company	—	686	—	—	686	686
Bank borrowings at variable interest rate	2.11	152,684	—	—	152,684	152,684
Bank overdraft	7	943	—	—	943	938
Obligations under finance leases	3.5	680	2,039	5,183	7,902	7,145
		189,079	2,039	5,183	196,301	195,539

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2015 HK$'000
As at 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	—	53,325	—	—	53,325	53,325
Amounts due to related companies	—	361	—	—	361	361
Amount due to an intermediate holding company	—	635	—	—	635	635
Bank borrowings at variable interest rate	2.22	8,557	—	—	8,557	8,557
Obligations under finance leases	3.05	53	86	233	372	337
		62,931	86	233	63,250	63,215

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2016 and 31 December 2015, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$152,684,000 and HK$8,557,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid by monthly instalments which will be wholly repayable during the year ending 31 December 2016 in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk (Continued)

Maturity Analysis - Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1 - 2 years HK$'000	2 - 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2016	75,682	10,043	14,878	69,429	170,032	152,684
31 December 2015	8,589	—	—	—	8,589	8,557

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of healthcare and other products, net of sales related taxes, and provision of logistic services during the year/period.

The operating segments of the Group represent the components of the Group whose operating results are regularly reviewed by the chief operating decision makers for the purposes of making decisions about resources allocation and assessment of performance. The chief operating decision makers comprise the executive directors of the Company.

The following is an analysis of the Group's revenue and results by reportable and operating segments. During the year ended 31 December 2016, 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 trading and logistics 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 year.

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
Trading and logistics business	—	Trading and distribution of cross-border commodity, and provision of logistics services

No revenue from any single customer contributed over 10% of the total revenue of the Group during the current year and prior period.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments as mentioned above for the year/period:

For the year ended 31 December 2016

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Revenue			
External sales	400,396	71,339	471,735
Inter-segment sales	—	639	639
Segment revenue	400,396	71,978	472,374
Elimination			(639)
Group revenue			471,735
Segment (loss) profit	(292)	290	(2)
Unallocated administrative expenses			(15,922)
Other gains and losses			(655)
Bank interest income			2,005
Finance costs			(438)
Loss before tax			(15,012)
Income tax expense			(2,742)
Loss for the year			(17,754)

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

For the period from 1 April 2015 to 31 December 2015

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Revenue			
External sales	335,388	—	335,388
Inter-segment sales	—	—	—
Segment revenue	335,388	—	335,388
Elimination			—
Group revenue			335,388
Segment profit	28,439	—	28,439
Unallocated administrative expenses			(7,623)
Other gains and losses			(5,918)
Bank interest income			1,597
Interest income on deposit placed at an insurance company			140
Finance costs			(260)
Profit before tax			16,375
Income tax expense			(4,156)
Profit for the period			12,219

Inter-segment sales are made at cost plus a certain percentage profit mark-up.

The accounting policies of reportable segments are the same as the Group's significant accounting policies described in note 3. Segment profit represents the pre-tax gross (loss) profit incurred/generated from each segment net of staff costs, depreciation expense and other expenses directly attributable to each segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2016

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Depreciation expense	10,624	474	11,098
Additions to property, plant and equipment	256,785	7,855	264,640

For the period from 1 April 2015 to 31 December 2015

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Depreciation expense	6,325	—	6,325
Additions to property, plant and equipment	17,358	—	17,358

(c) Revenue from major products and services

The following is the analysis of the Group's revenue from its major products and services:

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Sales of relaxation products	**367,373**	243,202
Sales of fitness products	**22,291**	48,419
Sales of therapeutic, diagnostic and cookware products	**10,732**	43,767
Sales of cross-border commodity	**62,563**	—
Logistics services income	**8,776**	—
	471,735	335,388

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The following table sets out information about the geographical location of the Group's non-current assets other than financial instruments and deferred tax assets.

	31.12.2016 HK$'000	31.12.2015 HK$'000
Hong Kong	**288,841**	25,765
Macau	**14**	2
PRC	**11,623**	13,458
Malaysia	**628**	1,356
Singapore	**2,799**	1,933
	303,905	42,514

(e) Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are reported to the chief operating decision makers. Accordingly, no segment assets and liabilities are presented.

8. OTHER INCOME

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Repair income	**1,393**	1,009
Delivery income	**647**	722
Bank interest income	**2,005**	1,597
Interest income on deposit placed at an insurance company	**—**	140
Warranty income	**24**	8
Rental income	**480**	225
Other service income	**441**	204
Compensation income	**—**	212
Sundry income	**1,625**	1,017
	6,615	5,134

9. OTHER GAINS AND LOSSES

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Gain on fair value of investment property	—	654
Net exchange loss	(626)	(5,384)
Loss on write-off of property, plant and equipment	(29)	(1,188)
	(655)	(5,918)

10. FINANCE COSTS

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Interest on:		
Bank borrowings	354	237
Finance leases	84	23
	438	260

11. (LOSS) PROFIT BEFORE TAX

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
(Loss) profit before tax has been arrived at after charging:		
Auditor's remuneration	**1,300**	1,200
Cost of inventories recognised as an expense	**179,896**	111,293
Depreciation of property, plant and equipment	**11,098**	6,325
Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**8,746**	5,598
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	**40,208**	25,234
– Contingent rent	**29,476**	30,605
Share-based payment expenses (included in staff costs)	**2,346**	960
Research and development expenditure		
– Included in staff costs	**1,886**	1,646
– Included in depreciation expense	**947**	742
– Included in other expenses	**60**	45
	2,893	2,433

12. INCOME TAX EXPENSE

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Current tax:		
Hong Kong Profits Tax	**108**	1,651
Macau Complimentary Income Tax	**803**	475
Malaysian Corporate Income Tax	**22**	16
PRC Enterprise Income Tax	**1,805**	2,018
Singapore Corporate Income Tax	**—**	206
	2,738	4,366
Underprovision of taxation in prior years:		
Malaysian Corporate Income Tax	**4**	—
Deferred tax (note 19)	**—**	(210)
	2,742	4,156

12. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year/period.

The Macau Complimentary Income Tax is calculated at 12% of the estimated assessable profit for the year/period exceeding MOP600,000.

Taxable income of the subsidiary in Malaysia is subject to corporate income tax at the rate of 25% of taxable income for the year/period.

Under the Law of the PRC on Enterprise Income Tax, the tax rate of the PRC subsidiary is 25% of taxable income for the year/period.

Taxable income of the subsidiary in Singapore is subject to corporate tax at the rate of 17% for the year/period.

The tax charge for the year/period can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
(Loss) profit before tax	**(15,012)**	16,375
Tax at Hong Kong Profits Tax rate of 16.5%	**(2,477)**	2,702
Tax effect of income not taxable for tax purposes	**(278)**	(1,395)
Tax effect of expenses not deductible for tax purposes	**1,454**	2,298
Tax effect on tax exemption	**(69)**	(35)
Tax effect of tax losses not recognised	**4,502**	400
Tax effect of different tax rates on operations in other jurisdictions	**(775)**	77
Underprovision of taxation in prior years	**4**	—
Others	**381**	109
Income tax expense for the year/period	**2,742**	4,156

Details of deferred taxation are set out in note 19.

13. DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	For the year ended 31 December 2016					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive Directors						
Mr. Yip Chee Lai, Charlie	—	2,472	782	18	212	3,484
Mr. Huang Jingkai	563	521	—	6	212	1,302
Mr. Li Dongming[1]	613	—	—	—	—	613
Independent non-executive Directors						
Mr. Han Biao	150	—	—	—	70	220
Mr. Wong Lit Chor, Alexis[2]	77	—	—	—	—	77
Mr. Liu Yaohui[3]	42	—	—	—	18	60
Mr. Li Qi	150	—	—	—	70	220
Non-executive Directors						
Mr. Zhong Baisheng	—	—	—	—	—	—
Ms. Zhang Yan	—	—	—	—	118	118
	1,595	2,993	782	24	700	6,094

13. DIRECTORS' EMOLUMENTS *(Continued)*

	For the period from 1 April to 31 December 2015					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive Directors						
Mr. Yip Chee Lai, Charlie	—	1,852	936	13	82	2,883
Mr. Huang Jingkai	375	250	—	—	82	707
Independent non-executive Directors						
Mr. Han Biao	113	—	—	—	27	140
Mr. Liu Yaohui[3]	113	—	—	—	27	140
Mr. Li Qi	113	—	—	—	27	140
Non-executive Directors						
Mr. Zhong Baisheng	—	—	—	—	—	—
Ms. Zhang Yan	—	—	—	—	45	45
	714	2,102	936	13	290	4,055

1 Appointed on 18 October 2016

2 Appointed on 12 August 2016

3 Appointed on 7 January 2015 and resigned on 11 April 2016

Note: The performance related incentive payments are determined as a percentage, ranging from 0.5% to 2% per annum, of the Group's turnover of respective geographical locations.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Li Dongming is appointed as the chief executive of the Company on 18 October 2016. His emoluments and former chief executive, Mr. Huang, Jingkai's emoluments disclosed above include those for services rendered by them as the chief executive during the current year and prior period.

Neither the chief executive nor any of the directors waived any emoluments during the current year and prior period.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (for the period from 1 April 2015 to 31 December 2015: one) are the directors of the Group during the year, whose emoluments are included in note 13 above. The emoluments of remaining three (for the period from 1 April 2015 to 31 December 2015: four) individuals during the year are as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Salary and other benefits	**7,015**	4,725
Performance related incentive payments	**—**	27
Retirement benefits scheme contributions	**110**	27
Share-based payments	**207**	81
Total emoluments	**7,332**	4,860

Their emoluments were within the following bands:

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Less than HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**—**	2
HK$1,500,001 to HK$2,000,000	**2**	1
Over HK$2,000,000	**1**	—
	3	4

During the current year and prior period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Dividends recognised as distributions during the year/period:		
For the period from 1 April 2015 to 31 December 2015		
Final - HK cents 1.03 per share	**3,604**	—
Year ended 31 March 2015 Final - HK cents 0.472 per share	**—**	1,653
Special dividend - HK cents 0.314 per share	**—**	1,100
	3,604	2,753

The directors of the Company do not recommend the payment of final dividend in respect of the year ended 31 December 2016.

16. (LOSS) EARNINGS PER SHARE

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

	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
(Loss) earnings		
(Loss) profit for the year/period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(17,617)**	12,219

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**349,877**	342,851

There were no dilution effects pertaining to the outstanding share options for the period from 1 April 2015 to 31 December 2015 and the year ended 31 December 2016 as the exercise price of each of the share options was higher than the average market price of the Company's shares for the period from date of grant of the share options to 31 December 2015 and for the year ended 31 December 2016.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold land HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Software HK$'000	Total HK$'000
COST								
At 1 April 2015	1,091	4,250	—	15,829	1,922	29,122	—	52,214
Additions	—	—	—	1,834	—	9,340	5,146	16,320
Acquisition of business (note 30(iii))	—	—	—	225	309	504	—	1,038
Write-off	—	—	—	—	—	(3,577)	—	(3,577)
Exchange adjustments	—	—	—	(270)	(74)	(725)	(173)	(1,242)
At 31 December 2015	**1,091**	**4,250**	**—**	**17,618**	**2,157**	**34,664**	**4,973**	**64,753**
Additions	**—**	**—**	**—**	**789**	**—**	**5,050**	**1,445**	**7,284**
Acquisition of business (note 30(i))	**—**	**—**	**—**	**897**	**6,773**	**185**	**—**	**7,855**
Acquisition of subsidiaries (note 30(ii))	**—**	**—**	**249,501**	**—**	**—**	**—**	**—**	**249,501**
Write-off	**—**	**—**	**—**	**—**	**—**	**(36)**	**—**	**(36)**
Exchange adjustments	**—**	**—**	**—**	**(339)**	**(20)**	**(1,047)**	**(312)**	**(1,718)**
At 31 December 2016	**1,091**	**4,250**	**249,501**	**18,965**	**8,910**	**38,816**	**6,106**	**327,639**
DEPRECIATION								
At 1 April 2015	874	1,887	—	11,560	1,421	20,946	—	36,688
Provided for the period	33	71	—	1,689	217	4,272	43	6,325
Eliminated on write-off	—	—	—	—	—	(2,389)	—	(2,389)
Exchange adjustments	—	—	—	(88)	(27)	(429)	(1)	(545)
At 31 December 2015	**907**	**1,958**	**—**	**13,161**	**1,611**	**22,400**	**42**	**40,079**
Provided for the year	**44**	**94**	**—**	**2,464**	**630**	**7,125**	**741**	**11,098**
Eliminated on write-off	**—**	**—**	**—**	**—**	**—**	**(7)**	**—**	**(7)**
Exchange adjustments	**—**	**—**	**—**	**(147)**	**(21)**	**(748)**	**(29)**	**(945)**
At 31 December 2016	**951**	**2,052**	**—**	**15,478**	**2,220**	**28,770**	**754**	**50,225**
CARRYING VALUES								
At 31 December 2016	**140**	**2,198**	**249,501**	**3,487**	**6,690**	**10,046**	**5,352**	**277,414**
At 31 December 2015	**184**	**2,292**	**—**	**4,457**	**546**	**12,264**	**4,931**	**24,674**

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

	Depreciation rate
Buildings	4%
Leasehold land and leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Furniture, fixtures and equipment	20% - 50%
Motor vehicles	33%
Leasehold improvements	Over the shorter of the term of the lease or 3 years
Software	10%

The leasehold land represents land in Hong Kong.

The carrying value of motor vehicles includes an amount of HK$6,635,000 (31 December 2015: HK$296,000) in respect of assets held under finance leases.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2015	9,600
Increase in fair value	654
At 31 December 2015 and 31 December 2016	10,254

The Group's property interests held under operating lease to earn rentals or for capital appreciation purpose are measured using fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2016 and 31 December 2015 has been arrived at on the basis of valuations carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group.

The fair value of the property was determined based on the direct comparison approach. In the valuation, which falls under Level 3 of the fair value hierarchy, the market unit rate used was determined after taking into account the floor level, view, size and building age, is one of the key inputs. The higher the market unit rate, the higher the fair value, and vice versa. There has been no change to the valuation technique during the year.

When estimating the fair value of the property, the highest and best use of the property is considered to be their current use.

There were no transfers into or out of Level 3 during both year/period.

The investment property shown above is situated on land in Hong Kong.

19. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movements thereon during the current year and prior period.

	Depreciation in excess of tax allowance on property, plant and equipment HK$'000	Fair value adjustments on customer loyalty programmes HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 April 2015	920	(9)	132	1,043
Credit (charge) to profit or loss	333	9	(132)	210
As at 31 December 2015 and at 31 December 2016	1,253	—	—	1,253

As at 31 December 2016, the Group has unused tax losses of HK$23,723,000 (31 December 2015: HK$2,424,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future assessable profit streams. The tax losses as at 31 December 2016 may be carried forward indefinitely.

At the end of the reporting period, the temporary difference associated with undistributed earnings of the PRC subsidiary for which deferred tax liability has not been recognised is HK$25,764,000 (31 December 2015: HK$17,159,000). No deferred taxation has been recognised in respect of this difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

20. INTANGIBLE ASSETS

	HK$'000
COST AND CARRYING VALUES	
Arising on acquisition of a subsidiary (note 30(i)) and at 31 December 2016	3,807

Intangible assets were purchased as part of a business combination during the year ended 31 December 2016. These represent customer relationships from ongoing operations.

Intangible assets are amortised on straight-line basis over 5 years.

21. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary (note 30(i)) and at 31 December 2016	2,657

For the purposes of impairment testing, goodwill have been allocated to a cash-generating unit engaged in provision of logistics services.

The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

During the year ended 31 December 2016, the management performed impairment review for the goodwill, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a discount rate of 18%. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

22. UTILITY AND OTHER DEPOSITS PAID/DEPOSIT PLACED AT AN INSURANCE COMPANY/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFT

Utility and other deposits paid include deposit for purchase of property, plant and equipment and other deposits which are not expected to be realised within twelve months from the end of the reporting period are classified as non-current assets.

As at 31 December 2015, deposit placed at an insurance company carried interest at a rate of 4% per annum and matured in current year.

Pledged bank deposits carry interest at rates ranging from 0.2% to 3.3% (31 December 2015: 0.2% to 3.3%) per annum. Deposits amounting to HK$11,545,000 (31 December 2015: HK$12,027,000) have been pledged to secure short term bank loans and trust receipt loans and therefore classified as current assets.

Bank balances carry floating average market interest at rates ranging from 0.01% to 0.30% (31 December 2015: 0.01% to 0.35%) per annum and fixed interest at rates ranging from 0.01% to 1.10% (31 December 2015: 0.01% to 3.00%) per annum.

Bank deposits with original maturity over three months carry fixed interest at rate of 1.30% (31 December 2015: 1.05%) per annum.

Bank overdraft carries interest at market rate of 7% (31 December 2015: nil) per annum.

23. INVENTORIES

All inventories represent finished goods held for resale.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Trade receivables	**64,941**	52,319
Prepayments	**20,196**	8,147
Other receivables	**4,880**	4,606
	90,017	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 at the end of the reporting period:

	31.12.2016	31.12.2015
	HK$'000	HK$'000
0 - 30 days	**25,739**	23,064
31 - 60 days	**14,632**	11,512
61 - 90 days	**8,960**	7,670
Over 90 days	**15,610**	10,073
	64,941	52,319

Before accepting any new corporate customer, the Group assesses the potential corporate customer's credit quality and defines credit limits for corporate customers. Credit limits granted to corporate customers are reviewed annually.

As at 31 December 2016, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$25,555,000 (31 December 2015: HK$21,929,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Aging of trade receivables (by due date) which are past due but not impaired:

	31.12.2016	31.12.2015
	HK$'000	HK$'000
1 - 30 days	**11,871**	10,537
31 - 60 days	**3,823**	2,797
61 - 90 days	**1,507**	2,767
Over 90 days	**8,354**	5,828
	25,555	21,929

As at 31 December 2016 and 31 December 2015, the Group had not provided for any allowance for doubtful debts.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES/AN INTERMEDIATE HOLDING COMPANY

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Amounts due from:		
Related companies (note a)	**815**	175
Amounts due to:		
Related companies (note b)	**53**	361
An intermediate holding company	**686**	635

Notes:

(a) As at 31 December 2015, included in amounts due from related companies is a related company of which Mr. Yep Gee Kuarn and Mr. Yip Chee Seng, directors of certain subsidiaries of the Group, are shareholders in which they hold 45.8% and 54.2% interest respectively. The amount is repayable on demand and the maximum amount outstanding during the year was HK$175,000. The amount is trade in nature and repayable within 30 days.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES/AN INTERMEDIATE HOLDING COMPANY *(Continued)*

(b) As at 31 December 2015, included in amounts due to related companies represented a company of which Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun are shareholders. Mr. Yip Chee Seng, Mr. Yep Gee Kuarn and Mr. Yip Chee Way, David are former directors of the Company, respectively. Mr. Yep Gee Kuarn is a director of the related company. Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun have an indirect interest of 36.4%, 31.8% and 31.8%, respectively in a company which has a 4.2% interest in the related company. Mr. Yip Chee Seng and his spouse together hold a 90.4% interest and Mr. Yep Gee Kuarn and his spouse together hold a 5.4% interest. As at 31 December 2015, the amount was trade in nature and repayable within 30 days.

As at 31 December 2016, included in amounts due to related companies represented the subsidiaries of the Company's ultimate holding company and the amounts are unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER PAYABLES

	31.12.2016 **HK$'000**	31.12.2015 HK$'000
Trade payables	**20,954**	37,088
Receipts in advance	**11,619**	5,223
Accruals	**11,042**	11,920
Others	**12,421**	11,116
	56,036	65,347

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

	31.12.2016 **HK$'000**	31.12.2015 HK$'000
0 - 30 days	**13,016**	17,155
31 - 60 days	**5,810**	13,776
61 - 90 days	**1,213**	5,941
Over 90 days	**915**	216
	20,954	37,088

The average credit period for trade purchases ranges from 0 to 60 days.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum	
	31.12.2016	31.12.2015	**31.12.2016**	31.12.2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**2,719**	139	**2,355**	124
In more than one year but not more than five years	**5,183**	233	**4,790**	213
	7,902	372	**7,145**	337
Less: Future finance charges	**(757)**	(35)	**N/A**	N/A
Present value of lease obligations	**7,145**	337	**7,145**	337
Less: Amounts due within one year shown under current liabilities			**(2,355)**	(124)
Amounts due after one year shown as non-current liability			**4,790**	213

The Group has leased motor vehicles under finance leases. The lease terms are from three to five years. The average effective borrowing rate for current period is 3.5% (for the period from 1 April 2015 to 31 December 2015: 3.05%) per annum. Interest rate is fixed and ranges from 1.98% to 5.5% (for the period from 1 April 2015 to 31 December 2015: 2.5% to 3.75%) on the contract date. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate at the end of the reporting period approximates to their carrying amount. All finance lease obligations are denominated in HK$.

28. BANK BORROWINGS

	31.12.2016 HK$'000	31.12.2015 HK$'000
Secured trust receipt loans	6,008	8,557
Secured bank loans	146,676	—
	152,684	8,557
Carrying amount of bank borrowings that contain a repayment on demand clause and are repayable:		
Within one year	73,947	8,557
In more than one year but not more than two years	3,528	—
In more than two years but not more than five years	10,803	—
More than five years	64,406	—
	152,684	8,557

The details of the Group's borrowings at the end of the reporting period are as follows:

	31.12.2016 HK$'000	31.12.2015 HK$'000
Variable rates:		
- 1.3% over 1 month HIBOR	143,500	—
- LIBOR plus 1.75% to 2.25%	6,008	8,557
- 1% over prime rate	2,980	—
- 1% below prime rate	196	—
	152,684	8,557

28. BANK BORROWINGS *(Continued)*

The range of effective interest rate per annum to the Group's variable rate borrowings are as follows:

	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015
Variable rate borrowings	**1.96% - 6.25%**	2.00% - 4.75%

The Group's borrowings that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	31.12.2016 HK$'000	31.12.2015 HK$'000
Denominated in USD	**6,008**	8,557

29. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 April 2015, 31 December 2015 and 31 December 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 (Note)	28,000,000	280,000
At 31 December 2015 and 31 December 2016	349,876,800	3,498,768

	31.12.2016 HK$'000	31.12.2015 HK$'000
Presented as	**27,279**	27,279

Note: On 8 June 2015, a total of 28,000,000 shares had been allotted and issued at a price of HK$4.88 per share. These new shares rank pari passu with the existing shares in all aspects.

30. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of Tempus Sky Enterprises Limited ("Tempus Sky")

On 18 October 2016, a sales and purchase agreement was entered into between (i) OTO BVI, a direct wholly owned subsidiary of the Company, (ii) the shareholder of Tempus Sky (the "Vendor") and (iii) Tempus Sky, in relation to the acquisition of equity interest in Tempus Sky by OTO BVI from the Vendor (the "Acquisition").

Pursuant to the sales and purchase agreement, OTO BVI acquired 35% equity interest in Tempus Sky at a consideration of HK$5,250,000 and subscribed for the new issued 3,400 shares of Tempus Sky at HK$5,100,000, upon satisfaction of certain conditions as set out in the agreement. During the current year, all the conditions precedent under the sales and purchase agreement have been fulfilled and the Acquisition is completed on 31 October 2016. OTO BVI owns approximately 51.5% equity interest of Tempus Sky and it becomes an indirect non-wholly owned subsidiary of the Company thereafter.

The fair value of the acquired assets and liabilities at the date of acquisition of Tempus Sky comprised:

	HK$'000
Property, plant and equipment	7,855
Intangible assets	3,807
Trade and other receivables	17,881
Deposits paid	3,429
Bank balances and cash	414
Trade and other payables	(10,396)
Obligations under finance leases	(7,324)
Tax payables	(84)
Bank borrowings	(3,188)
Bank overdraft	(1,040)
	11,354

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Acquisition of Tempus Sky Enterprises Limited ("Tempus Sky") *(Continued)*

The fair value of the identifiable assets and liabilities acquired have been arrived at on the basis of a valuation carried out on 31 October 2016 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

Pursuant to the sales and purchase agreement, OTO BVI was granted the right to oblige the Vendor to repurchase all the shares of Tempus Sky held by OTO BVI if Tempus Sky unable to meet certain financial performance target during the three-year period after the completion of the Acquisition. In the opinion of the directors of the Company, the fair value of the option to sell the shares of Tempus Sky is insignificant at initial recognition and at the end of the reporting period.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	5,250
Subscription of new shares	5,100
Add: non-controlling interest	3,661
Less: net assets acquired	(11,354)
	2,657

Net cash outflow on arising acquisition:

	HK$'000
Cash consideration paid	5,250
Add: bank overdraft acquired	1,040
Less: bank balances and cash acquired	(414)
	5,876

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Acquisition of Tempus Sky Enterprises Limited ("Tempus Sky") *(Continued)*

Details of the Acquisition are set out in the announcement by the Company dated 18 October 2016.

Revenue of approximately HK$9,414,000 and loss of approximately HK$282,000 attributable to Tempus Sky for the period from the acquisition date to 31 December 2016 was consolidated in the Group's loss for the year.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$532,625,000, and loss for the year would have been HK$18,013,000. 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 January 2016, nor is it intended to be a projection of future results.

(ii) Acquisition of assets through acquisition of subsidiaries

On 20 October 2016, Tempus (BVI) Properties Investment Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party of the Group, pursuant to which Tempus (BVI) Properties Investment Limited agreed to purchase 100% issued share capital of KK VII (BVI) Limited and KK VIII (BVI) Limited, respectively, at an aggregated consideration of HK$250,628,000. KK VII (BVI) Limited and KK VIII (BVI) Limited are inactive prior to the acquisition and their principal assets held are properties in Hong Kong. This transaction has been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination. KK VII (BVI) Limited and KK VIII (BVI) Limited are acquired so as to occupy the properties for the Group's self-use and the acquisition was completed on 15 December 2016.

	HK$'000
The net assets acquired in the transaction were as follow:	
Property, plant and equipment	249,501
Other receivables and prepayments	249
Bank balances and cash	881
Other payables	(3)
Net assets acquired	250,628

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of assets through acquisition of subsidiaries *(Continued)*

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	250,628
Less: bank balances and cash acquired	(881)
	249,747

(iii) Acquisition of OTO Singapore

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 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 comprised:

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

30. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iii) Acquisition of OTO Singapore *(Continued)*

The fair value of the identifiable assets acquired and liabilities assumed had been arrived at on the basis of a valuation carried out on 15 January 2016 by Ascent Partners Valuation Service Limited, an independent qualified professional valuer 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 was set out in the announcement by the Company dated 15 May 2015.

Revenue of approximately HK$27,242,000 and profit of approximately HK$1,209,000 attributable to the Target Business for the period from the acquisition date to 31 December 2015 was consolidated in the Group's profit for the period.

Had the acquisition been completed on 1 April 2015, total group revenue for the period would had been approximately HK$336,421,000, and the profit for the period would have been approximately HK$12,330,000. 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.

31. PLEDGE OF ASSETS

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

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**251,839**	2,476
Investment property	**10,254**	10,254
Pledged bank deposits	**11,545**	12,027
	273,638	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 as disclosed in note 17.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, an investment property was let out under an operating lease. Gross rental income earned during the year was HK$480,000 (for the period from 1 April 2015 to 31 December 2015: HK$225,000).

At the end of the reporting period, the Group had contracted with a tenant for the future minimum lease payments of under a non-cancellable operating lease which fall due:

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Within one year	**130**	100

Lease is negotiated and rental is fixed for a term of one year.

32. OPERATING LEASE ARRANGEMENTS *(Continued)*

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:

	31.12.2016	31.12.2015
	HK$'000	HK$'000
Within one year	**51,816**	28,606
In the second to fifth years inclusive	**38,807**	14,244
	90,623	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.

33. ACQUISITION OF EQUITY INTEREST IN TEMPUS JINYUAN LIMITED

On 27 July 2016, OTO BVI, a wholly owned subsidiary of the Company, entered into an agreement ("Agreement") with an independent third party (the "Vendor") and Tempus Jinyuan Limited (the "Target Company"), pursuant to which (i) the Vendor conditionally agreed to sell and OTO BVI conditionally agreed to purchase 36% of the issued share capital of the Target Company at a consideration of RMB7,200,000 (equivalent to approximately HK$8,300,000), and (ii) OTO BVI conditionally agreed to inject a total of RMB10,000,000 (equivalent to approximately HK$11,600,000) in cash into the Target Company in consideration of the Target Company allotting and issuing 5,000 new shares of the Target Company to OTO BVI. Upon completion, OTO BVI will hold approximately 57.3% of the issued share capital of the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company.

At end of the reporting, a prepayment of RMB360,000 (equivalent to approximately HK$416,000) has been made by the Group and the acquisition has not been completed as the conditions precedent for completion under the Agreement have not yet been fulfilled.

34. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in notes 25 and 30(iii), during the year/period the Group entered into following transactions with related parties:

Related parties	Nature of transaction	**1.1.2016 to 31.12.2016 HK$'000**	1.4.2015 to 31.12.2015 HK$'000
A related company	Rental expenses	**—**	367
Fellow subsidiaries	Rental and management fee	**362**	—
	Services income	**(956)**	—
	Management fee income	**(180)**	—
	Installation fee on computer software	**405**	2,175

The balances of amounts due from/to related companies and intermediate holding companies are disclosed in the consolidated statement of financial position and in note 25.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 13.

35. RETIREMENT BENEFIT SCHEME

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 MOP30 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 scheme.

The employees employed in Malaysia are members of Employees Provident Fund, a Malaysian government agency under the Ministry of Finance. The subsidiary established in Malaysia is required to contribute 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 scheme.

The employees employed in Singapore are members of the state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The subsidiary established in Singapore is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

35. RETIREMENT BENEFIT SCHEME *(Continued)*

As at 31 December 2016 and 31 December 2015, the Group had no significant obligation apart from the contribution as stated above.

36. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution in writing passed by all the shareholders of the Company on 25 November 2011 for the primary purpose of recognising and acknowledging the contribution of the eligible participant had or may have made to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company.

On 31 August 2015, the Company granted 5,400,000 share options (the "Share Options"), 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 the senior management and employees of the Company to subscribe for shares in the Company at HK$3.38 per share.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 5,000,000 (31 December 2015: 5,300,000), representing approximately 1.4% (31 December 2015: 1.5%) 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 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.

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 (date of grant) to 30.8.2017	31.8.2017 to 30.8.2019	
		50%: 31.8.2015 (date of grant) to 30.8.2018	31.8.2018 to 30.8.2019	

36. SHARE-BASED PAYMENTS *(Continued)*

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

Option type	Outstanding at 1 April 2015	Granted during the period	Lapsed during the period	Outstanding at 31 December 2015 and 1 January 2016	Lapsed during the year	Outstanding at 31 December 2016
Type I	—	5,400,000	(100,000)	5,300,000	(300,000)	5,000,000
Exercisable at the end of the year/period	—			—		1,000,000
Weighted average exercise price	—	HK$3.38	HK$3.38	HK$3.38	HK$3.38	HK$3.38

During the year ended 31 December 2016, 300,000 (for the period from 1 April 2015 to 31 December 2015: 100,000) share options were lapsed.

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$2,346,000 in the staff costs for the year ended 31 December 2016 (for the period from 1 April 2015 to 31 December 2015: HK$960,000) in relation to share options granted by the Company.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31.12.2016 HK$'000	31.12.2015 HK$'000
Non-current asset		
Investments in subsidiaries	**138,875**	138,875
Current assets		
Prepayments and other receivables	**311**	1,052
Amounts due from subsidiaries	**288,932**	5,117
Bank balances and cash	**115,080**	260,189
	404,323	266,358
Current liabilities		
Other payables and accrued expenses	**754**	811
Bank borrowings	**143,500**	—
Amounts due to subsidiaries	**24,615**	22,939
	168,869	23,750
Net current assets	**235,454**	242,608
Net assets	**374,329**	381,483
Capital and reserves		
Share capital	**27,279**	27,279
Reserves	**347,050**	354,204
Total equity	**374,329**	381,483

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement of reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2015	229,344	32	—	37	229,413
Loss for the period	—	—	—	(7,883)	(7,883)
Issue of shares upon share allotment	134,467	—	—	—	134,467
Recognition of equity-settled share-based payments	—	—	960	—	960
Dividends paid	—	—	—	(2,753)	(2,753)
At 31 December 2015	**363,811**	**32**	**960**	**(10,599)**	**354,204**
Loss for the year	**—**	**—**	**—**	**(5,896)**	**(5,896)**
Transfer upon forfeiture of share options	**—**	**—**	**(85)**	**85**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**2,346**	**—**	**2,346**
Dividends paid	**—**	**—**	**—**	**(3,604)**	**(3,604)**
At 31 December 2016	**363,811**	**32**	**3,221**	**(20,014)**	**347,050**

38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2016	2015	**2016**	2015	
OTO BVI	British Virgin Islands 7 January 2011	US$16,252	**100%**	100%	**—**	—	Investment holding
OTO (HK) Investment Limited	Hong Kong 17 February 2011	HK$1	**—**	—	**100%**	100%	Investment holding
OTO Bodycare (H.K.) Limited	Hong Kong 14 November 1986	HK$1,000,000	**—**	—	**100%**	100%	Sales of health and wellness products in Hong Kong
OTO International (Macau) Company Limited	Macau 13 September 2005	MOP30,000	**—**	—	**100%**	100%	Sales of health and wellness products in Macau
Dainty Shanghai Co., Ltd.	PRC (Note i) 25 March 2010	Registered and paid-up capital US$5,150,000	**—**	—	**100%**	100%	Sales of health and wellness products in PRC
OTO Wellness Sdn. Bhd.	Malaysia 17 July 2014	MYR1,000,000	**—**	—	**100%**	100%	Sales of health and wellness products in Malaysia
OTO Wellness	Singapore 1 October 2014	SGD10,000	**—**	—	**100%**	100%	Sales of health and wellness products in Singapore
Tempus OTO Limited	Hong Kong 29 January 2015	HK$10,000	**—**	—	**100%**	100%	Inactive
Tempus OTO (Shenzhen) Evergrande Health Industry Limited (Note ii)	PRC (Note i) 10 April 2015	Registered and paid-up capital RMB5,500,000	**—**	—	**100%**	100%	Sales of health and wellness products in PRC
Tempus Cross-border Commercial Service Limited (formerly known as Tempus and Buttonwood Cross-border Industrial Investment Limited)	Hong Kong 12 August 2015	HK$10,000	**100%**	100%	**—**	—	Provision of trading and distribution of cross-border commodity
上海騰邦健康管理諮詢有限公司	PRC (Note i) 24 April 2016	Registered capital RMB1,000,000	**—**	—	**100%**	—	Inactive

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly 2016	Directly 2015	Indirectly 2016	Indirectly 2015	Principal activities
Tempus (BVI) Investment Limited	British Virgin Islands 14 June 2016	US$50,000	**100%**	—	**—**	—	Inactive
Tempus Sky Enterprises Limited (Note 30(i))	Hong Kong 14 September 2016	HK$10,000	**—**	—	**51.5%**	—	Investment holding
Sky Logistics & Supply Chain Limited	Hong Kong 30 November 2001	HK$1,000,000	**—**	—	**51.5%**	—	Provision of logistics services and general trading
Great Giant Limited	Hong Kong 29 March 1994	HK$100,000	**—**	—	**51.5%**	—	Provision of logistics services and general trading
Tempus (BVI) Properties Investment Limited	British Virgin Islands 6 October 2016	US$50,000	**100%**	—	**—**	—	Investment holding
KK VII (BVI) Limited	British Virgin Islands 21 October 2015	US$100	**—**	—	**100%**	—	Property holding
KK VIII (BVI) Limited	British Virgin Islands 21 October 2015	US$100	**—**	—	**100%**	—	Property holding

Notes:

(i) The subsidiaries are wholly foreign-owned enterprise registered in the PRC.

(ii) English translated name is for identification only.

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 January 2017, Tempus OTO (Shenzhen) Evergrande Health Industry Limited ("Tempus Shenzhen"), a wholly-owned subsidiary of the Company, entered into a loan agreement with an independent third party (the "Borrower") and the existing shareholders of the Borrower, pursuant to which Tempus Shenzhen agreed to lend to the Borrower a term loan of one year with principal amount of RMB25,000,000 (equivalent to approximately HK$29,000,000) which carries interest at 8% per annum (the "Loan") with maturity of one year. Upon the maturity date of the Loan, Tempus Shenzhen is entitled to covert the Loan into new subscribed share capital of the Borrower, which represents 12.5% equity interest of the enlarged paid-up capital of the Borrower after the conversion. Details of the transaction are set out in the announcement published by the Company dated 13 January 2017.

(b) On 1 March 2017, KK VII (BVI) Limited and KK VIII (BVI) Limited, indirect wholly-owned subsidiaries of the Company, entered into tenancy agreements with Tempus Assets (Hong Kong) Limited and Shenzhen Tempus Logistics Holding Limited, respectively, in relation to the leasing of their owner-occupied properties located in Hong Kong for terms of three years commencing on 2 March 2017, with monthly rents of approximately HK$360,000 and HK$471,000. The properties will be transferred from property, plant and equipment to investment properties upon the end of owner-occupation. The transactions constitute continuing connected transactions under the Listing Rules and details are set out in the announcement published by the Company dated 1 March 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period, as extracted from the audited consolidated financial statements, is set out below:

	Year ended 31 December	Nine months ended 31 December	Year ended 31 March		
	2016	2015	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**471,735**	335,388	389,692	339,700	259,201
Other income	**6,615**	5,134	10,096	10,126	6,549
Other gains and losses	**(655)**	(5,918)	(771)	541	(1,771)
Changes in inventories of finished goods	**685**	12,925	1,201	7,268	4,000
Finished goods purchased	**(180,581)**	(124,218)	(134,632)	(120,305)	(91,186)
Staff costs	**(113,326)**	(70,030)	(79,823)	(71,046)	(52,049)
Depreciation expense	**(11,098)**	(6,325)	(7,826)	(6,827)	(3,595)
Finance costs	**(438)**	(260)	(412)	(344)	(350)
Other expenses	**(187,949)**	(130,321)	(161,526)	(147,416)	(117,083)
(Loss) profit before tax	**(15,012)**	16,375	15,999	11,697	3,716
Income tax expenses	**(2,742)**	(4,156)	(3,862)	(2,975)	(1,670)
(Loss) profit for the year/period	**(17,754)**	12,219	12,137	8,722	2,046

ASSETS, LIABILITIES AND EQUITY

	At 31 December		At 31 March		
	2016	2015	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**622,485**	499,543	346,315	333,843	303,500
TOTAL LIABILITIES	**221,143**	78,347	68,701	63,269	41,871
TOTAL EQUITY	**401,342**	421,196	277,614	270,574	261,629