

TEMPUS

騰邦控股



騰邦控股有限公司 Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06880

2017 INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr LI Dongming (*Chief Executive Officer*)
Mr HUANG Jingkai (*Vice-chairman*)
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
Mr LI Qi

COMPANY SECRETARY

Mr HO Hang Man

AUDIT COMMITTEE

Mr WONG Lit Chor, Alexis (*Chairman*)
Mr HAN Biao
Mr LI Qi

REMUNERATION COMMITTEE

Mr HAN Biao (*Chairman*)
Mr WONG Lit Chor, Alexis
Mr LI Qi

NOMINATION COMMITTEE

Mr HAN Biao (*Chairman*)
Mr WONG Lit Chor, Alexis
Mr LI Qi

AUTHORISED REPRESENTATIVES

Mr LI Dongming
Mr HUANG Jingkai
Mr HO Hang Man (*alternate authorised representative to Mr LI Dongming*)

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

CORPORATE INFORMATION

HONG KONG LEGAL ADVISERS

Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
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

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tempus Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”), together with comparative figures for the six months ended 30 June 2016 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the external auditors and the audit committee (“**Audit Committee**”) of the Company.

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Changes
Profitability data (HK\$'000)			
Revenue	290,655	253,515	14.7%
Gross profit	155,731	153,868	1.2%
Profit before tax	4,164	6,567	(36.6%)
Profit after tax for the period	976	4,938	(80.2%)
Earnings per share – basic and diluted (HK cents)	0.12	1.41	(91.5%)
Gross profit margin	53.6%	60.7%	(7.1 ppt)
Profit before tax margin	1.4%	2.6%	(1.2 ppt)
Profit margin	0.3%	1.9%	(1.6 ppt)
Effective tax rate	76.6%	24.8%	51.8 ppt

	30 June 2017 (Unaudited)	31 December 2016 (Audited)	Changes
Assets and liabilities data (HK\$'000)			
Bank balances and cash	293,199	171,045	71.4%
Bank and other borrowings	296,592	152,684	94.3%
Net current assets	103,252	100,974	2.3%
Total assets less current liabilities	414,159	406,132	2.0%
Assets and working capital ratios/data			
Current ratio (times)	1.3	1.5	(0.2)
Gearing ratio (%)	37.2	24.5	12.7 ppt
Inventory turnover days (days)	48.4	66.1	(17.7)
Trade receivables turnover days (days)	41.8	45.4	(3.6)
Trade payables turnover days (days)	34.9	58.2	(23.3)

FINANCIAL HIGHLIGHTS

Notes for key ratios:

Gross profit	Revenue – (Finished goods purchased – Changes in inventories of finished goods + Direct expenses attributable to purchase)
Earning per share	Profit attributable to shareholders / Weighted average number of ordinary shares
Gross profit margin	Gross profit / Revenue x 100%
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 period
Trade receivables turnover days	Average of beginning and ending trade receivables balances / Revenue x Number of days in the period
Trade payables turnover days	Average of beginning and ending trade payables balances / Cost of sales x Number of days in the period

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group's total revenue reached approximately HK\$290.7 million, representing an increase of 14.7% from approximately HK\$253.5 million for the six months ended 30 June 2016. The Group's revenue from the health and wellness business decreased by approximately 4.5% from approximately HK\$218.3 million for the six months ended 30 June 2016 to approximately HK\$208.4 million for the Period. In addition to the health and wellness business, the Group's trading and logistics business generated revenue of approximately HK\$82.2 million, representing an increase of approximately 133.5% as compared with approximately HK\$35.2 million for the corresponding period of 2016.

Despite the significant growth in the trading and logistics business, the Group's net profit decreased from approximately HK\$4.9 million for the six months ended 30 June 2016 to approximately HK\$1.0 million for the Period. The decrease in net profit was mainly attributable to (i) sluggish sales due to a slowdown of China's economic growth and continual weakening of the retail market in Hong Kong which have under-mined consumers' sentiment and buying power; and (ii) an increase in administrative costs.

HEALTH AND WELLNESS BUSINESS

During the Period, the health and wellness business generated revenue of approximately HK\$208.4 million, representing approximately 71.7% of the Group's revenue. The Group's revenue from the health and wellness business decreased by approximately 4.5% from approximately HK\$218.3 million for the six months ended 30 June 2016.

Products

During the Period, the Group had launched a total of 17 new products comprising 15 relaxation products and two other health and wellness products. The new products generated revenue of approximately HK\$19.9 million, or approximately 9.5% of the Group's revenue from the health and wellness business during the Period. The key new product of last year, namely "OTO EL.VI Quad", only managed to generate revenue of approximately HK\$30.0 million, or approximately 14.4% of the Group's revenue from the health and wellness business during the Period (for the six months ended 30 June 2016: "OTO ii Zone" generated approximately HK\$77.9 million, or approximately 35.7% of the Group's revenue from the health and wellness business during the corresponding period of 2016).

Sales channels

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

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Traditional sales channels

During the Period, the Group's traditional sales channel generated revenue of approximately HK\$143.8 million or 69.1% of the Group's revenue from the health and wellness business (for the six months ended 30 June 2016: approximately HK\$157.5 million (excluding the sales of cross-border products) or 72.1%). The decrease in percentage of sales attributable to traditional sales channels was in line with a decrease in the number of the Group's consignment counters in the People's Republic of China (the "PRC"), which was resulted from the closure of a few shopping malls operated by one of the Group's major consignees in the PRC. As at 30 June 2017, the Group operated the following retail stores and consignment counters ("retail outlets"):

	No. of retail outlets as at		
	30 June 2017	31 December 2016	30 June 2016
Hong Kong and Macau			
– Retail stores	13	11	11
– Consignment counters	12	12	15
PRC			
– Retail stores	40	40	46
– Consignment counters	67	90	74
Singapore and Malaysia			
– Retail stores	12	11	14
– Consignment counters	5	4	3
Total	149	168	163

Retail business in Hong Kong and Macau

As at 30 June 2017, the Group maintained 25 retail outlets in Hong Kong and Macau. During the Period, revenue contributed by the retail business in Hong Kong and Macau was approximately HK\$64.0 million, representing a decrease of approximately HK\$4.8 million or 7.0% as compared to HK\$68.8 million (excluding the sales of cross-border products) for the six months ended 30 June 2016. The decrease was mainly due to a decrease in the sales of key products and late launch of new key products during the Period.

Retail business in the PRC

As at 30 June 2017, the Group operated 107 retail outlets in the PRC, mainly located in the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei regions, and Chengdu in the PRC. During the Period, revenue contributed by the retail business in the PRC was approximately HK\$70.0 million, representing a decrease of approximately HK\$6.9 million or 9.0% as compared to approximately HK\$76.9 million (excluding the sales of cross-border products) for the six months ended 30 June 2016. The decrease was primarily due to the closure of 23 retail outlets in the PRC during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail business in Singapore and Malaysia

As at 30 June 2017, the Group operated 17 retail outlets in Singapore and Malaysia. During the Period, revenue contributed by the retail business in Singapore and Malaysia was approximately HK\$9.8 million, representing approximately 4.7% of the Group's revenue from the health and wellness business and a decrease of approximately HK\$2.0 million or 16.9% as compared to approximately HK\$11.8 million for the six months ended 30 June 2016.

(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 marketing segments with minimum fixed operating expenses, but also mitigate the impact of the escalating operating costs such as retail store rentals and commissions, staff costs and advertising expenses. During the Period, the Group's proactive sales channels generated approximately HK\$64.6 million or 31.0% of the Group's revenue from the health and wellness business (for the six months ended 30 June 2016: approximately HK\$60.8 million or 27.9%).

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 distribution in overseas markets such as Eastern Europe and 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 sales through an online group-buying platform and sales through its online stores at major business-to-customer shopping platforms such as Tmall and JD.com.

TRADING AND LOGISTICS BUSINESS

The Group commenced the trading and logistics business in April 2016. During the Period, the Group's trading and logistics business generated revenue of approximately HK\$82.3 million, representing approximately 28.3% of the Group's revenue. The Group's revenue from the trading and logistics business increased by approximately 133.8% from approximately HK\$35.2 million for the six months ended 30 June 2016. The increase in revenue was primarily attributable to (i) the full period effect of the revenue generated; and (ii) an increase in revenue earned from the provision of logistics and warehousing services.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

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

The Group's revenue was approximately HK\$290.7 million and HK\$253.5 million for the Period and the six months ended 30 June 2016, respectively. The Group recognised revenue of approximately HK\$208.4 million from the health and wellness business, represented approximately 71.7% of the Group's revenue. The remaining approximately 28.3% of the Group's revenue represented revenue from the trading and logistics business. An analysis of sales by product category and sales channel of the health and wellness business is set out below:

(i) Sales by product category

	Six months ended 30 June 2017		Six months ended 30 June 2016		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Relaxation products	188,521	90.5	198,266	90.8	(9,745)	(4.9)
Fitness products	12,807	6.1	14,292	6.5	(1,485)	(10.4)
Other health & wellness products	7,093	3.4	5,730	2.7	1,363	23.8
Total	208,421	100.0	218,288	100.0	(9,867)	(4.5)

During the Period, the sales of relaxation products decreased by approximately 4.9% from approximately HK\$198.3 million for the six months ended 30 June 2016 to approximately HK\$188.5 million, whilst the sales of fitness products and the sales of other health and wellness products decreased by approximately 10.4% from approximately HK\$14.3 million for the six months ended 30 June 2016 to approximately HK\$12.8 million and increased by approximately 23.8% from approximately HK\$5.7 million for the six months ended 30 June 2016 to approximately HK\$7.1 million, respectively. The decrease in the sales of both relaxation products and fitness products was mainly due to an absence of key new products being launched in the early Period. A key new massage chair, namely "OTO EL.VI Quad Luxe", was launched in April 2017. The increase in the sales of other health and wellness products was mainly attributable to the sales of two newly launched products and one major product of last year during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As revenue from the sale of products is recognised when the products are delivered, a delay in delivery would lead to the sales not being able to be recognised as revenue. Under normal terms, a product would be delivered within 14 days after a sales order is made, unless another specific date of delivery is requested by customer. As at 30 June 2017, the Group had receipts in advance of approximately HK\$9.0 million in total, which had not been delivered before the end of the Period. Therefore, such amount of the sales orders had not been recognised as revenue during the Period and is one of the reasons leading to the decrease in the Group's profit for the Period. It is expected that the unrecognised sales orders (that is, the balance of receipts in advance) shall be recognised during the second half of 2017.

(ii) Sales by channel

	Six months ended 30 June 2017		Six months ended 30 June 2016*		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Retail stores	61,813	29.7	63,435	29.1	(1,622)	(2.6)
Consignment counters	81,912	39.3	94,084	43.1	(12,172)	(12.9)
Roadshow counters	23,830	11.4	32,452	14.9	(8,622)	(26.6)
Corporate sales	26,556	12.7	14,294	6.5	12,262	85.8
International sales	7,499	3.6	9,560	4.4	(2,061)	(21.6)
Internet sales	6,811	3.3	4,463	2.0	2,348	52.6
Total	208,421	100.0	218,288	100.0	(9,867)	(4.5)

* Certain comparative figures have been reclassified to conform with the presentation of the analysis for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue generated from retail stores decreased by approximately 2.6% to approximately HK\$61.8 million from approximately HK\$63.4 million for the six months ended 30 June 2016. The revenue from consignment counters also decreased by approximately 12.9% to approximately HK\$81.9 million from approximately HK\$94.1 million for the six months ended 30 June 2016. The decrease in revenue generated from both retail stores and consignment counters was mainly due to a change of consumers' buying habit from offline platforms to online platforms and the closure of 23 retail outlets in the PRC during the Period. The revenue from roadshow counters significantly decreased by 26.6% as a result of fewer roadshow events having been organised to promote the key products in the PRC. The revenue from corporate sales, however, significantly increased by 85.8% to approximately HK\$26.6 million from approximately HK\$14.3 million for the six months ended 30 June 2016. The increase was primarily due to the recognition of a significant one-off corporate sales to a retail chain store as a result of cooperation under a sales campaign conducted during the Period. International sales decreased by 21.6% to approximately HK\$7.5 million as a result of fewer orders from existing customers. Internet sales significantly increased by 52.6% to approximately HK\$6.8 million from approximately HK\$4.5 million for the six months ended 30 June 2016. The significant increase was mainly due to (i) a change of consumers' buying habit as mentioned above; and (ii) more efforts and resources having been placed in the development of the Group's internet sales channel.

Other income

Other income for the Period was approximately HK\$10.3 million, representing an increase of approximately HK\$7.3 million or 243.3%, from approximately HK\$3.0 million for the six months ended 30 June 2016. The increase was primarily due to an increase in rental income of approximately HK\$3.6 million and other service income arising from property leasing and referral fees of approximately HK\$3.6 million recognised during the Period.

Other gains and losses

Other gains and losses for the Period was a gain of approximately HK\$5.5 million, which comprised (i) a gain on change in fair value of investment properties of approximately HK\$5.1 million; (ii) a gain on disposal of property, plant and equipment of approximately HK\$0.2 million; and (iii) a net foreign exchange gain of approximately HK\$0.2 million. The other gains and losses of the six months ended 30 June 2016 represented a gain of approximately HK\$0.1 million due to a net foreign exchange gain.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in inventories of finished goods

Changes in inventories of finished goods represent the movement between the opening balance and the ending balance of inventories during the Period. As the Group intends to maintain a similar level of inventories, the smaller the change in inventory level, the better the Group's inventory management. During the Period, the Group recorded a decrease in changes in inventories of finished goods of approximately HK\$1.5 million as compared with an increase of approximately HK\$16.7 million for the six months ended 30 June 2016. The decrease was in line with a decrease in inventory turnover days during the Period.

Finished goods purchased

Finished goods purchased during the Period was approximately HK\$115.8 million, representing an increase of approximately HK\$3.5 million or 3.1% from approximately HK\$112.3 million for the six months ended 30 June 2016. The increase was in line with the increase in sales.

Gross profit

Gross profit increased by approximately HK\$1.8 million or 1.2% to approximately HK\$155.7 million for the Period from approximately HK\$153.9 million for the six months ended 30 June 2016 mainly due to an improvement in the gross profit of the trading and logistics business. Gross profit of the health and wellness business and the trading and logistics business was approximately HK\$141.7 million and HK\$14.0 million, respectively (for the six months ended 30 June 2016: approximately HK\$152.6 million and HK\$1.3 million, respectively).

Gross profit margin for the Period was approximately 53.6%, representing a decrease from approximately 60.7% for the six months ended 30 June 2016. Gross profit margin of the health and wellness business and the trading and logistics business was approximately 68.0% and 17.1%, respectively (for the six months ended 30 June 2016: approximately 69.9% and 3.5%, respectively). The decrease in gross profit margin of the health and wellness business was due to the combined effect of (i) a decrease in sales of massage chairs which had higher gross profit margin in general; and (ii) more corporate sales (under which the selling price was discounted due to bulk purchases) having been recognised during the Period. The increase in gross profit margin of the trading and logistics business was due to the combined effect of (i) commencement of provision of logistics and warehousing services during the Period; and (ii) a change in the type of commodities traded which generated higher gross profit margin as compared with the corresponding period of 2016.

Staff costs

Staff costs for the Period was approximately HK\$68.0 million, representing an increase of approximately HK\$9.1 million or 15.4%, from HK\$58.9 million for the six months ended 30 June 2016. The increase in staff costs was mainly due to an increase in management headcount although the number of staff in total had decreased from 731 as at 31 December 2016 to 680 as at 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortisation expense

Depreciation and amortisation expense for the Period was approximately HK\$7.2 million, representing an increase of approximately HK\$2.3 million or 46.9% from approximately HK\$4.9 million for the six months ended 30 June 2016. The increase was mainly due to (i) more fixed assets including certain properties at No. 9 Des Voeux Road West, Hong Kong having been acquired in late 2016; (ii) retail outlet renovation being subject to depreciation; and (iii) the intangible assets of the Group being subject to amortisation. For details of the aforesaid properties acquired in late 2016, please refer to the announcements of the Company dated 20 October 2016 and 15 December 2016, respectively, and the circular of the Company dated 2 December 2016.

Finance costs

Finance costs for the Period and the six months ended 30 June 2016 were approximately HK\$2.1 million and HK\$0.1 million, respectively. The increase was mainly due to the interest arising from the mortgage in relation to the purchase of certain properties at No. 9 Des Voeux Road West, Hong Kong in late 2016.

Other expenses

Other expenses for the Period was approximately HK\$107.7 million, representing an increase of approximately HK\$17.3 million or 19.1%, from approximately HK\$90.4 million for the six months ended 30 June 2016. The increase was mainly attributable to various items, including an increase of approximately HK\$1.6 million in freight charges, an increase of approximately HK\$2.4 million in commissions paid to department stores for more revenue generated from the consignment counters, and an increase of approximately HK\$5.1 million in rent and rates expenses.

Profit before tax

Profit before tax for the Period was approximately HK\$4.2 million, representing a decrease of approximately HK\$2.4 million or 36.4% from approximately HK\$6.6 million for the six months ended 30 June 2016.

Income tax expense

Income tax expense for the Period and the six months ended 30 June 2016 was approximately HK\$3.2 million and HK\$1.6 million, respectively, representing an effective tax rate of approximately 76.6% and 24.8%, respectively. The increase in the effective tax rate for the Period was primarily due to an increase in profitability of certain companies in the Group such that more taxable profit was earned during the Period.

Profit for the period

As a result of the factors described above, the Group's profit for the Period was approximately HK\$1.0 million, representing a decrease of approximately HK\$3.9 million or 79.6% from approximately HK\$4.9 million for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had bank balances and cash of approximately HK\$293.2 million (as at 31 December 2016: HK\$171.0 million). The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash used in operating activities was approximately HK\$21.2 million for the Period (six months ended 30 June 2016: HK\$52.3 million from operating activities), primarily reflecting the operating cash flows before movements in working capital of approximately HK\$9.1 million, as adjusted by decrease of approximately HK\$2.4 million in inventories, decrease of approximately HK\$8.9 million in trade and other receivables, decrease of approximately HK\$0.5 million in rental deposits and increase of approximately HK\$3.9 million in trade and other payables.

Investing activities

Net cash used in investing activities was approximately HK\$58.5 million for the Period (six months ended 30 June 2016: HK\$40.1 million from investing activities), primarily reflecting loans advanced to independent third parties of approximately HK\$58.2 million and the purchases of property, plant and equipment of approximately HK\$2.0 million.

Financing activities

Net cash generated from financing activities was approximately HK\$157.1 million for the Period (six months ended 30 June 2016: HK\$4.4 million used in financing activities), primarily attributable to the proceeds from the issue of the Convertible Notes (as defined below) of approximately HK\$160.0 million.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 June 2017 was approximately HK\$296.6 million as compared with approximately HK\$152.7 million as at 31 December 2016. The Group's gearing ratio increased from approximately 24.5% as at 31 December 2016 to approximately 37.2% as at 30 June 2017. The increase was due to the issue of the Convertible Notes (as defined below) during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

HK\$160.0 million unlisted convertible notes due 2018 (the “Convertible Notes”)

On 25 May 2017, the Company entered into subscription agreements with three investors, namely, Mimas Sino Investments Limited, LUK, Ching Sanna and Win Success Travel Limited (collectively, the “Investors”) pursuant to which the Company agreed to issue, and the Investors agreed to subscribe and pay for, the Convertible Notes in the aggregate principal amount of HK\$160.0 million with the maturity date of the Convertible Notes falling on the 364th day after the relevant issue date (the “Maturity Date”). For details, please refer to the Company’s announcement dated 25 May 2017.

The Convertible Notes in the aggregate principal amount of HK\$160.0 million were issued to the respective Investors on 16 June 2017 (the “Issue Date”). For details, please refer to the Company’s announcement dated 16 June 2017. The Convertible Notes bear interest from the Issue Date at the rate of 6.0% per annum calculated by reference to the principal amount of each Convertible Note outstanding, which will be payable in arrears on the 182nd day as of the Issue Date and on the Maturity Date. The liability component of the Convertible Notes is stated at amortised cost and the conversion option is stated at fair value after initial recognition. The aggregate net proceeds of the Convertible Notes amounted to approximately HK\$159.8 million (after deducting fees and expenses). As at the date of this report, such net proceeds have not yet been utilised. For details of the Company’s intended use of the net proceeds from the Convertible Notes, please refer to the Company’s announcement dated 16 June 2017.

WORKING CAPITAL

As at 30 June 2017, the Group’s inventories decreased by approximately HK\$1.4 million or 4.2% to approximately HK\$31.9 million from approximately HK\$33.3 million as at 31 December 2016. The inventory turnover days was 48.4 days as at 30 June 2017 as compared with 66.1 days as at 31 December 2016. The decrease in both inventories and inventory turnover days was mainly attributable to (i) a decrease in the inventory level of new key products for upcoming promotional activities; (ii) fewer display units required due to a decrease in the total number of retail outlets; (iii) better management of inventory level; and (iv) discontinuity of the cross-border business which required certain level of inventory.

As at 30 June 2017, the Group’s trade receivables increased by HK\$4.4 million or 6.8% to approximately HK\$69.3 million from approximately HK\$64.9 million as at 31 December 2016. The increase in trade receivables was mainly due to an increase in overall sales. The average trade receivables turnover days as at 30 June 2017 and 31 December 2016 were 41.8 days and 45.4 days, respectively. The decrease in trade receivables turnover days was mainly due to (i) more sales having been recognised during the Period; and (ii) a better control of collection of trade receivables in the trading and logistics business.

As at 30 June 2017, the Group’s trade payables increased by approximately HK\$5.1 million or 24.3% to approximately HK\$26.1 million from approximately HK\$21.0 million as at 31 December 2016. The increase was mainly attributable to more purchases of finished goods for product deliveries shortly before the end of the Period. The trade payables turnover days decreased from 58.2 days as at 31 December 2016 to 34.9 days as at 30 June 2017 mainly due to improved liquidity of the Group leading to quicker settlement of trade payables.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to approximately HK\$2.0 million, (for the six months ended 30 June 2016: HK\$4.4 million) which was used mainly on acquisition of property, plant and equipment.

PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged certain assets, including leasehold land and buildings, investment properties and bank deposits which in aggregate amounted to approximately HK\$278.2 million (as at 31 December 2016: HK\$273.6 million) for the purpose of securing certain banking facilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 26 May 2017, the Group entered into a sale and purchase agreement with Tempus Logistics Group Holding Ltd.* (騰邦物流集團股份有限公司) (“**Tempus Logistics**”), pursuant to which Tempus Logistics conditionally agreed to sell, and the Group conditionally agreed to acquire, the entire 61.75% equity interest held by Tempus Logistics in Shenzhen Tempus Value Chain Co., Ltd.* (深圳市騰邦價值鏈股份有限公司) (“**Shenzhen Tempus**”) for a cash consideration of RMB48,165,000. Completion of the acquisition is expected to take place in the second half of 2017. For details, please refer to the Company's announcements dated 26 May 2017 and 14 July 2017, respectively, and the Company's circular dated 23 June 2017.

Save as disclosed in this report, (i) there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the Period; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at the date of this report.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Save as disclosed in this report, there are no important events affecting the Group after the end of the Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (2016 interim dividend: Nil).

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 30 June 2017, the Group held United States dollars of approximately HK\$17.2 million, Renminbi of approximately HK\$30.2 million and Singapore dollars of approximately HK\$3.3 million, collectively representing 16.7% of the Group's total of bank balances, cash and pledged deposits. Certain transactions denominated in foreign currencies would also incur foreign exchange risk. Since a majority of the foreign currencies held by the Group are denominated in United States dollars, which is pegged to Hong Kong dollars, the Group is exposed to limited foreign exchange risk and hence does not use any derivative financial instruments to hedge against foreign exchange risk. The Group manages foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total number of 680 (as at 31 December 2016: 731) 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 scheme of the Company. The Group determined 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 of the Company will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Group makes contributions to the Mandatory Provident Fund Scheme for all eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, and are 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 Macanese Pataca 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 retirement benefit scheme operated by the PRC government. The subsidiaries established in the PRC are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company adopted a share option scheme on 25 November 2011 (the “**Share Option Scheme**”) for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. On 29 January 2014, 31 August 2015 and 26 January 2017, the Group granted 3,180,000 share options (Lot 1), 5,400,000 share options (Lot 2) and 23,420,000 share options (Lot 3), respectively, under the Share Option Scheme at the exercise prices of HK\$0.62 per Share, HK\$3.38 per Share, and HK\$1.84 per Share, respectively, to certain Directors, senior management and selected employees of the Group. Movements of the outstanding share options granted under the Share Option Scheme during the Period are as follows:

	Balance as at 1 January 2017	Share options granted	Share options exercised	Share options lapsed	Balance as at 30 June 2017
Lot 1 (Note)	—	—	—	—	—
Lot 2	5,000,000	—	—	(550,000)	4,450,000
Lot 3	—	23,420,000	—	—	23,420,000
	5,000,000	23,420,000	—	(550,000)	27,870,000

Note: All share options granted under Lot 1 had either lapsed or been cancelled as at 1 January 2017.

At the annual general meeting of the Company held on 26 May 2017 (the “**2017 AGM**”), the shareholders of the Company passed an ordinary resolution to refresh the scheme mandate limit of the share option scheme to 10% of the Company’s shares in issue as at the date of the 2017 AGM. Therefore, the maximum number of shares which may be issued upon exercise of all share options that may be granted under the refreshed scheme mandate limit is 34,987,680 Shares. For details, please refer to the Company’s circular dated 24 April 2017 and the Company’s announcement on the poll results of the 2017 AGM dated 26 May 2017.

STRATEGIES AND PROSPECTS

The Directors notice that certain prevailing macroeconomic factors, such as the slowdown of China’s economic growth, continuous weakening of the retail market in Hong Kong and the increased capital market volatility, had been undermining consumers’ sentiment and buying power. Therefore, it is envisaged that the Group’s businesses will be more challenging in the second half of 2017. Given the tougher peripheral factors abovementioned, the Group will strive for further business growth through (i) merger and acquisition in the health and wellness, and trading and logistics business sectors; (ii) breakthrough in internet sales and corporate sales channels in the PRC and overseas markets; and (iii) the key new products to be launched in the second half of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The proceeds from the global offering of the Company, after deduction of related issuance expenses, amounted to approximately HK\$92.6 million. As at 30 June 2017, there was no change of the proposed use of net proceeds from the global offering. The unused proceeds were deposited in licensed banks in Hong Kong. Details of use of the net proceeds are set out in the table below.

	Net proceeds	Utilised	Unutilised
	HK\$ million	up to	as of
	HK\$ million	30 June 2017	30 June 2017
	HK\$ million	HK\$ million	HK\$ million
Use of proceeds:			
Expansion of the Group's PRC operations	45.9	39.6	6.3
Advertising and promotional activities in the PRC	20.0	10.6	9.4
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 information systems	8.0	8.0	—
	92.6	76.9	15.7

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 30 June 2017, there was no change of the proposed use of net proceeds from the Subscription and such net proceeds had been applied in the manner consistent with that set out in the Company's announcement dated 27 May 2015 and had been fully utilised.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed together with the Board and Deloitte Touche Tohmatsu, the Company's auditor, the unaudited condensed consolidated financial statements of the Group for the Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 June 2017 and, where appropriate, adopted the recommended best practices set out in the CG Code, except for the following deviations:

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman of the Board, Mr ZHONG Baisheng, was unable to attend the annual general meeting of the Company held on 26 May 2017 (the “**2017 AGM**”) due to other business engagement. However, another executive Director, who was present at the annual general meeting, took the chair of that meeting in accordance with Article 70 of the Company.

In addition, the chairman of the Audit Committee, Mr WONG Lit Chor, Alexis, was also unable to attend the 2017 AGM due to other business engagement. Other committee members, however, attended the 2017 AGM and made themselves available to answer questions to ensure effective communication with the shareholders of the Company.

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 of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct throughout the six months ended 30 June 2017.

To ensure compliance, all Directors were requested to send a notice of intention to deal with the securities of the Company to the chairman of the Corporate Governance Committee and should obtain an approval from the chairman of the Corporate Governance Committee or the designed person by the Board during the period under review to deal with securities of the Company. Relevant employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of change
Mr HUANG Jingkai	As approved by the remuneration committee of the Company and the Board, the annual salary has been increased from HK\$1,000,000 to HK\$2,000,000 with effect from 1 June 2017.
Mr YIP Chee Lai, Charlie	As approved by the remuneration committee of the Company and the Board, the annual salary has been increased from HK\$2,280,000 to HK\$2,856,000 with effect from 1 April 2017. With effect from 1 April 2017, the basis for determination of the revenue-related bonus that Mr YIP is entitled to has changed from 0.5% of the Group’s annual retail revenue in Hong Kong and Macau when such annual revenue reaches the prescribed thresholds to 0.5% of the Group’s annual retail revenue in Hong Kong and Macau when the Group’s net profit from the health and wellness business reaches the prescribed thresholds.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Upon specific enquiry by the Company and based on the confirmations from the Directors, save as disclosed above, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares of the Company and 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held (a)	Number of underlying shares in respect of share options held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company (Note 10)
Mr ZHONG Baisheng (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%
Mr YIP Chee Lai, Charlie (Note 3)	Beneficial owner	6,046,000 (L)	2,450,000 (L)	8,496,000 (L)	2.43%
	Interests of parties to an agreement to acquire interest of the Company	17,984,000 (L)	—	17,984,000 (L)	5.14%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Mr LI Dongming (Note 4)	Beneficial owner	—	3,000,000 (L)	3,000,000 (L)	0.86%
Mr HUANG Jingkai (Note 5)	Beneficial owner	—	3,450,000 (L)	3,450,000 (L)	0.99%
Ms ZHANG Yan (Note 6)	Beneficial owner	—	450,000 (L)	450,000 (L)	0.13%
Mr HAN Biao (Note 7)	Beneficial owner	—	350,000 (L)	350,000 (L)	0.10%
Mr WONG Lit Chor, Alexis (Note 8)	Beneficial owner	—	200,000 (L)	200,000 (L)	0.06%
Mr LI Qi (Note 9)	Beneficial owner	—	350,000 (L)	350,000 (L)	0.10%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the Director’s long position in the shares or underlying shares of the Company.
- (2) These shares of the Company are held directly by Tempus Holdings (Hong Kong) Limited (騰邦控股香港有限公司) (“**Tempus Hong Kong**”), which is wholly owned by Tempus Value Chain Limited (騰邦價值鏈有限公司) (“**Tempus Value Chain**”). Tempus Value Chain is wholly owned by Tempus Logistics Group Holdings Ltd.* (騰邦物流集團股份有限公司) (formerly known as Shenzhen Tempus Logistics Co., Ltd.* (深圳市騰邦物流股份有限公司)) (“**Tempus Logistics**”), which is in turn owned as to 99% by Tempus Group Co., Ltd.* (騰邦集團有限公司) (“**Tempus Group**”) and 1% by Shenzhen Pingfeng Jewellery Ltd.* (深圳市平豐珠寶有限公司) (“**Pingfeng Jewellery**”), respectively. Pingfeng Jewellery is owned as to 67% by Mr ZHONG Baisheng and 33% by Ms DUAN Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr ZHONG Baisheng and 0.66% by Ms DUAN Naiqi, respectively. As at the date of this report, Tempus Hong Kong held 232,104,800 shares of the Company, representing approximately 66.34% of the issued share capital of the Company.
- (3) Mr YIP Chee Lai, Charlie, Mr YIP Chee Seng, Mr YIP Chee Way, David, Mr YEP Gee Kuarn, Mr TAN Beng Gim and Ms CHUA Siew Hun (the “**Minority Shareholders**”) have been persons acting in concert since 1 April 2008 pursuant to a confirmatory agreement dated 1 February 2011 entered into by and among them. Accordingly, each of the Minority Shareholders is deemed 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 an aggregate of 2,450,000 options granted to him by the Company on 31 August 2015 and 26 January 2017 under the share option scheme adopted by the Company on 25 November 2011 (the “**Share Option Scheme**”). Out of these options, 450,000 options are exercisable at the exercise price of HK\$3.38 per share during the period from 31 August 2016 to 30 August 2019, and 2,000,000 options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (4) Mr LI Dongming’s long position in the underlying shares comprises 3,000,000 share options granted to him by the Company on 26 January 2017 under the Share Option Scheme. These share options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (5) Mr HUANG Jingkai’s long position in the underlying shares comprises an aggregate of 3,450,000 options granted to him by the Company on 31 August 2015 and 26 January 2017 under the Share Option Scheme. Out of these options, 450,000 options are exercisable at the exercise price of HK\$3.38 per share during the period from 31 August 2016 to 30 August 2019, and 3,000,000 options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (6) Ms ZHANG Yan’s long position in the underlying shares comprises an aggregate of 450,000 options granted to her by the Company on 31 August 2015 and 26 January 2017 under the Share Option Scheme. Out of these options, 250,000 options are exercisable at the exercise price of HK\$3.38 per share during the period from 31 August 2016 to 30 August 2019, and 200,000 options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (7) Mr HAN Biao’s long position in the underlying shares comprises an aggregate of 350,000 options granted to him by the Company on 31 August 2015 and 26 January 2017 under the Share Option Scheme. Out of these options, 150,000 options are exercisable at the exercise price of HK\$3.38 per share during the period from 31 August 2016 to 30 August 2019, and 200,000 options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (8) Mr WONG Lit Chor, Alexis’s long position in the underlying shares comprises 200,000 share options granted to him by the Company on 26 January 2017 under the Share Option Scheme. These share options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.

* For identification purposes only

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (9) Mr LI Qi's long position in the underlying shares comprises an aggregate of 350,000 options granted to him by the Company on 31 August 2015 and 26 January 2017 under the Share Option Scheme. Out of these options, 150,000 options are exercisable at the exercise price of HK\$3.38 per share during the period from 31 August 2016 to 30 August 2019, and 200,000 options are exercisable at the exercise price of HK\$1.84 per share during the period from 26 January 2017 to 25 January 2021, subject to the vesting schedule.
- (10) Based on a total of 349,876,800 issued shares of the Company as at 30 June 2017.

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

Name of Director	Name of associated corporation	Number and class of securities in associated corporation interested	Approximate percentage of shareholding in associated corporation
Mr ZHONG Baisheng	Tempus Hong Kong	10,000 ordinary shares (L)	100%

Notes:

- (1) The letter "L" denotes the person's long position in the shares or underlying shares of the associated corporation.
- (2) Tempus Hong Kong is wholly owned by Tempus Value Chain, which is wholly owned by Tempus Logistics. Tempus Logistics is owned as to 99% by Tempus Group and 1% by Pingfeng Jewellery, respectively. Pingfeng Jewellery is owned as to 67% by Mr ZHONG Baisheng and 33% by Ms DUAN Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr ZHONG Baisheng and 0.66% by Ms DUAN Naiqi, respectively. By virtue of the SFO, Mr ZHONG Baisheng is deemed to be interested in the 10,000 shares in Tempus Hong Kong.

Save as disclosed above, as at 30 June 2017, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Directors or chief executive(s) of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company (Note 7)
Tempus Hong Kong (Note 2)	Beneficial owner	232,104,800 (L)	—	232,104,800 (L)	66.34%
Tempus Value Chain (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%
Tempus Logistics (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%
Tempus Group (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%
Pingfeng Jewellery (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%
Ms DUAN Naiqi (Note 2)	Interest in a controlled corporation	232,104,800 (L)	—	232,104,800 (L)	66.34%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company (Note 7)
SCGC Capital Holding Company Limited (Note 3)	Beneficial owner	28,000,000 (L)	—	28,000,000 (L)	8.00%
Shenzhen Capital (Hong Kong) Company Limited (Note 3)	Interest in a controlled corporation	28,000,000 (L)	—	28,000,000 (L)	8.00%
Shenzhen Capital Group Co., Ltd. (Note 3)	Interest in a controlled corporation	28,000,000 (L)	—	28,000,000 (L)	8.00%
Mr YIP Chee Seng (Note 4)	Beneficial owner	5,774,000 (L)	—	5,774,000 (L)	1.65%
	Interests of parties to an agreement to acquire interests of the Company	18,256,000 (L)	2,450,000 (L)	20,706,000 (L)	5.92%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Mr YEP Gee Kuarn (Note 4)	Beneficial owner	6,114,000 (L)	—	6,114,000 (L)	1.75%
	Interests of parties to an agreement to acquire interests of the Company	17,916,000 (L)	2,450,000 (L)	20,366,000 (L)	5.82%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Mr YIP Chee Way, David (Note 4)	Beneficial owner	6,096,000 (L)	—	6,096,000 (L)	1.74%
	Interests of parties to an agreement to acquire interests of the Company	17,934,000 (L)	2,450,000 (L)	20,384,000 (L)	5.83%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Mr TAN Beng Gim (Note 4)	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Ms CHUA Siew Hun (Note 4)	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
	Total	24,030,000 (L)	2,450,000 (L)	26,480,000 (L)	7.57%
Ms LUK Ching, Sanna (Note 5)	Beneficial owner	—	34,782,608 (L)	34,782,608 (L)	9.94%
Win Success Travel Limited (Note 6)	Beneficial owner	—	21,739,130 (L)	21,739,130 (L)	6.21%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter "L" denotes the person's long position in the shares or underlying shares of the Company.
- (2) These shares of the Company are held directly by Tempus Hong Kong, which is wholly owned by Tempus Value Chain. Tempus Value Chain is wholly owned by the Tempus Logistics, which is in turn owned as to 99% by Tempus Group and 1% by Pingfeng Jewellery, respectively. Pingfeng Jewellery is owned as to 67% by Mr ZHONG Baisheng and 33% by Ms DUAN Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr ZHONG Baisheng and 0.66% by Ms DUAN Naiqi, respectively. Therefore, pursuant to Part XV of the SFO, each of Mr ZHONG Baisheng, Ms DUAN Naiqi, Pingfeng Jewellery, Tempus Group, Tempus Logistics and Tempus Value Chain is deemed to be interested in the shares of the Company held by Tempus Hong Kong. As at the date of this report, Tempus Hong Kong held 232,104,800 shares of the Company, representing approximately 66.34% of the issued share capital of the Company.
- (3) SCGC Capital Holding Company Limited is wholly owned by Shenzhen Capital (Hong Kong) Company Limited, which is wholly owned by Shenzhen Capital Group Co., Ltd. Therefore, pursuant to Part XV of the SFO, each of Shenzhen Capital (Hong Kong) Company Limited and Shenzhen Capital Group Co., Ltd. is deemed to be interested in the shares of the Company held by SCGC Capital Holding Company Limited.
- (4) The Minority Shareholders have been the persons acting in concert since 1 April 2008 pursuant to a confirmatory agreement dated 1 February 2011 entered into by and among them. Accordingly, each of the Minority Shareholders is deemed to be interested in the shares in which the Minority Shareholders are interested pursuant to section 318 of the SFO.
- (5) Ms LUK Ching, Sanna's long position in the underlying shares of the Company comprises her interest in a convertible note issued by the Company on 16 June 2017 which can be converted into 34,782,608 new shares of the Company at the conversion price of HK\$2.3 per share (subject to adjustment).
- (6) Win Success Travel Limited's long position in the underlying shares of the Company comprises its interest in a convertible note issued by the Company on 16 June 2017 which can be converted into 21,739,130 new shares of the Company at the conversion price of HK\$2.3 per share (subject to adjustment).
- (7) Based on a total of 349,876,800 issued shares of the Company as at 30 June 2017.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 25 November 2011 for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. On 29 January 2014, 31 August 2015 and 26 January 2017, the Group granted 3,180,000 share options (Lot 1), 5,400,000 share options (Lot 2) and 23,420,000 share options (Lot 3), respectively, under the Share Option Scheme at the exercise price of HK\$0.62 per share, HK\$3.38 per share, and HK\$1.84 per share, respectively, to certain Directors, senior management and selected employees of the Group.

At the annual general meeting of the Company held on 26 May 2017 (the "**2017 AGM**"), the shareholders of the Company passed an ordinary resolution to refresh the scheme mandate limit of the share option scheme to 10% of the shares of the Company in issue as at the date of the 2017 AGM. Therefore, the maximum number of shares which may be issued upon exercise of all share options that may be granted under the refreshed scheme mandate limit is 34,987,680 shares. For details, please refer to the Company's circular dated 24 April 2017 and the Company's announcement dated 26 May 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30 June 2017
					Outstanding as at 1 January 2017	Granted during the six months ended 30 June 2017	Exercised during the six months ended 30 June 2017	Lapsed during the six months ended 30 June 2017	Cancelled during the six months ended 30 June 2017	
Directors										
Mr LI Dongming	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	300,000	—	—	—	300,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
Mr HUANG Jingkai	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	90,000	—	—	—	—	90,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	135,000	—	—	—	—	135,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	225,000	—	—	—	—	225,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	300,000	—	—	—	300,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	900,000	—	—	—	900,000
		26.1.2017 – 25.1.2021	26.1.2021 – 25.1.2021	1.84	—	—	—	—	—	—
Mr YIP Chee Lai, Charlie	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	90,000	—	—	—	—	90,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	135,000	—	—	—	—	135,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	225,000	—	—	—	—	225,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	200,000	—	—	—	200,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	600,000	—	—	—	600,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	600,000	—	—	—	600,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	600,000	—	—	—	600,000
		26.1.2017 – 25.1.2021	26.1.2021 – 25.1.2021	1.84	—	—	—	—	—	—
Ms ZHANG Yan	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	50,000	—	—	—	—	50,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	125,000	—	—	—	—	125,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	20,000	—	—	—	20,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2021	26.1.2021 – 25.1.2021	1.84	—	—	—	—	—	—
Mr HAN Biao	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	30,000	—	—	—	—	30,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	45,000	—	—	—	—	45,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	20,000	—	—	—	20,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2021	26.1.2021 – 25.1.2021	1.84	—	—	—	—	—	—
Mr WONG Lit Chor, Alexis	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	20,000	—	—	—	20,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
Mr LI Qi	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	30,000	—	—	—	—	30,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	45,000	—	—	—	—	45,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	75,000	—	—	—	—	75,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	20,000	—	—	—	20,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	60,000	—	—	—	60,000
		26.1.2017 – 25.1.2021	26.1.2021 – 25.1.2021	1.84	—	—	—	—	—	—
Other eligible participants	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	710,000	—	—	(110,000)	—	600,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	1,065,000	—	—	(165,000)	—	900,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	1,775,000	—	—	(275,000)	—	1,500,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	—	1,462,000	—	—	—	1,462,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	—	4,386,000	—	—	—	4,386,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	—	4,386,000	—	—	—	4,386,000
	26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	—	4,386,000	—	—	—	4,386,000	
Total					5,000,000	23,420,000	—	(550,000)	—	27,870,000

Notes:

- (1) As at 1 January 2017, all the share options granted on 29 January 2014 (Lot 1) had either lapsed or been cancelled.
- (2) The closing price of the shares of the Company immediately before 26 January 2017, the date on which the Lot 3 share options were granted, was HK\$1.84.
- (3) Further details of the Share Options Scheme are set out in note 21 to the interim financial statements.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF TEMPUS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tempus Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 29 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2017

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Making another century of impact
德勤百年慶 開創新紀元

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Six months ended	
		30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Revenue	3	290,655	253,515
Other income		10,310	2,980
Other gains and losses	4	5,479	108
Changes in inventories of finished goods		(1,456)	16,653
Finished goods purchased		(115,848)	(112,336)
Staff costs		(67,997)	(58,947)
Depreciation and amortisation expense		(7,151)	(4,889)
Finance costs	5	(2,120)	(107)
Other expenses		(107,708)	(90,410)
Profit before tax	6	4,164	6,567
Income tax expense	7	(3,188)	(1,629)
Profit for the period		976	4,938
Other comprehensive income (expense):			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation		3,363	(2,084)
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation gain on transfer of owner-occupied properties to investment properties	10	2,332	—
		5,695	(2,084)
Total comprehensive income for the period		6,671	2,854

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTE	Six months ended	
		30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		410	4,938
Non-controlling interest		566	—
		976	4,938
Total comprehensive income attributable to:			
Owners of the Company		6,105	2,854
Non-controlling interest		566	—
		6,671	2,854
Earnings per share:			
Basic (HK cents)	9	0.12	1.41
Diluted (HK cents)		0.12	1.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	24,395	277,414
Investment properties	11	266,400	10,254
Deferred tax assets		1,253	1,253
Intangible assets		3,426	3,807
Goodwill		2,657	2,657
Utility and other deposits paid		12,776	9,773
		310,907	305,158
Current assets			
Inventories		31,865	33,321
Trade and other receivables and prepayments	12	82,952	90,017
Utility and other deposits paid		6,094	9,446
Amounts due from related companies		2,200	815
Loans receivable	13	58,749	—
Tax recoverable		1,270	1,138
Pledged bank deposits		9,527	11,545
Bank balances and cash		293,199	171,045
		485,856	317,327
Current liabilities			
Trade and other payables	14	61,218	56,036
Amounts due to a related and group companies		829	739
Obligations under finance leases		2,371	2,355
Tax payable		4,648	3,601
Bank borrowings	15	152,666	152,684
Bank overdraft		478	938
Convertible notes	16	160,394	—
		382,604	216,353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTE	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Net current assets		103,252	100,974
Total assets less current liabilities		414,159	406,132
Non-current liability			
Obligations under finance leases		3,600	4,790
Net assets		410,559	401,342
Capital and reserves			
Share capital	17	27,279	27,279
Reserves		379,190	370,539
Equity attributable to owners of the Company		406,469	397,818
Non-controlling interest		4,090	3,524
Total equity		410,559	401,342

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to the owners of the Company										Non-controlling interest	Total	
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Property revaluation reserve	Translation reserve	Capital reserve	Statutory reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	27,279	363,811	32	960	—	(4,387)	(128,447)	1,730	160,218	421,196	—	421,196	
Profit for the period	—	—	—	—	—	—	—	—	4,938	4,938	—	4,938	
Other comprehensive expense for the period	—	—	—	—	—	(2,084)	—	—	—	(2,084)	—	(2,084)	
– exchange difference arising on translation	—	—	—	—	—	(2,084)	—	—	—	(2,084)	—	(2,084)	
Total comprehensive (expense) income for the period	—	—	—	—	—	(2,084)	—	—	4,938	2,854	—	2,854	
Recognition of equity-settled share-based payments	—	—	—	1,183	—	—	—	—	—	1,183	—	1,183	
Dividend paid (note 8)	—	—	—	—	—	—	—	—	(3,604)	(3,604)	—	(3,604)	
At 30 June 2016 (unaudited)	27,279	363,811	32	2,143	—	(6,471)	(128,447)	1,730	161,552	421,629	—	421,629	
At 1 January 2017 (audited)	27,279	363,811	32	3,221	—	(8,890)	(128,447)	2,591	138,221	397,818	3,524	401,342	
Profit for the period	—	—	—	—	—	—	—	—	410	410	566	976	
Other comprehensive income for the period	—	—	—	—	—	3,363	—	—	—	3,363	—	3,363	
– exchange difference arising on translation	—	—	—	—	—	3,363	—	—	—	3,363	—	3,363	
– revaluation gain on transfer of owner-occupied properties to investment properties	—	—	—	—	2,332	—	—	—	—	2,332	—	2,332	
Total comprehensive income for the period	—	—	—	—	2,332	3,363	—	—	410	6,105	566	6,671	
Recognition of equity-settled share-based payments	—	—	—	2,546	—	—	—	—	—	2,546	—	2,546	
Transfer upon forfeiture of share options	—	—	—	(414)	—	—	—	—	414	—	—	—	
At 30 June 2017 (unaudited)	27,279	363,811	32	5,353	2,332	(5,527)	(128,447)	2,591	139,045	406,469	4,090	410,559	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Net cash from (used in) operating activities	21,211	(52,312)
Investing activities		
Purchases of property, plant and equipment	(2,038)	(4,381)
Interest received	1,539	1,202
Withdrawal of pledged bank deposit	2,000	—
Placement of bank deposits original maturity over three months	(8,920)	(100,000)
Withdrawal of bank deposits original maturity over three months	7,000	140,000
Withdrawal of deposit placed at an insurance company	—	3,247
Loans advance to third parties	(58,230)	—
Other investing cash flows	186	77
Net cash (used in) from investing activities	(58,463)	40,145
Financing activities		
Dividend paid	—	(3,604)
Proceeds on issue of convertible notes	160,000	—
New bank borrowings raised	19,337	23,753
Repayment of bank borrowings	(19,355)	(24,349)
Other financing cash flows	(2,900)	(165)
Net cash from (used in) financing activities	157,082	(4,365)
Net increase (decrease) in cash and cash equivalents	119,830	(16,532)
Cash and cash equivalents at the beginning of the period	163,107	193,939
Effect of foreign exchange rate changes	864	(1,105)
Cash and cash equivalents at the end of the period	283,801	176,302
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	293,199	276,302
Bank deposits with original maturity over three months	(8,920)	(100,000)
Bank overdraft	(478)	—
	283,801	176,302

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investment properties and derivative financial instruments which are measured at fair value at the end of the reporting period.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

The Group has applied the following new accounting policies in the current interim period in relation to the change in use of the Group’s properties and the issuance of convertible notes:

Property, plant and equipment

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant property revaluation reserve will be transferred directly to retained profits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Convertible notes contain debt and derivative components

Convertible notes issued by the Company that contain both debt and derivative components, including conversion option and redemption option which is not closely related to the host contract, are classified separately into respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at financial liabilities designated as at fair value through profit or loss. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments based on information reported to the chief operating decision maker for the purposes of performance assessment and resource allocation.

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 and warehousing services

For the six months ended 30 June 2017

	Health and wellness business HK\$'000	Trading and logistics business HK\$'000	Total HK\$'000 (Unaudited)
Revenue			
External sales	208,421	82,234	290,655
Inter-segment sales	—	2,297	2,297
Segment revenue	208,421	84,531	292,952
Elimination			(2,297)
Group revenue			290,655
Segment profit	10,343	2,184	12,527
Unallocated other expenses			(13,261)
Other gains and losses			5,479
Interest income			1,539
Finance costs			(2,120)
Profit before tax			4,164
Income tax expense			(3,188)
Profit for the period			976

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2016

	Health and wellness business HK\$'000	Trading and logistics business HK\$'000	Total HK\$'000 (Unaudited)
Revenue			
External sales	218,288	35,227	253,515
Inter-segment sales	—	—	—
Segment revenue	218,288	35,227	253,515
Elimination			—
Group revenue			253,515
Segment profit	13,320	982	14,302
Unallocated other expenses			(8,938)
Other gains and losses			108
Interest income			1,202
Finance costs			(107)
Profit before tax			6,567
Income tax expense			(1,629)
Profit for the period			4,938

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Gain on change in fair value of investment properties	5,146	—
Gain on disposal of property, plant and equipment	168	—
Net exchange gain	165	108
	5,479	108

5. FINANCE COSTS

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings	1,528	98
Convertible notes	394	—
Finance leases	198	9
	2,120	107

6. PROFIT BEFORE TAX

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	117,304	95,683
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	29,360	23,664
– Contingent rent	12,027	27,770
Interest income	(1,539)	(1,202)
Rental income	(3,598)	(210)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. INCOME TAX EXPENSE

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	563	172
Macau Complementary Income Tax	447	440
Malaysian Corporate Income Tax	10	15
The People's Republic of China (the "PRC") Enterprise Income Tax	2,168	1,002
	3,188	1,629

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

Macau Complementary Income Tax is calculated progressively at 12% of the estimated assessable profit exceeding Macanese Pataca 600,000 for both periods.

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

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

8. DIVIDENDS

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Dividends recognised as distribution during the period:		
For the period from 1 April 2015 to 31 December 2015		
Final - HK cent 1.03 per share	—	3,604

The directors of the Company have resolved not to declare interim dividend for both interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	410	4,938
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	349,877	349,877

Notes:

- (a) There are no dilution effects pertaining to the outstanding share options at the end of each reporting period as the exercise price of each of the share options is higher than the average market price of the Company's shares during both periods.
- (b) The calculation of the diluted earnings per share attributable to owners of the Company for the current interim period does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earnings per share.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK\$2,038,000 (six months ended 30 June 2016: HK\$4,381,000).

On 2 March 2017, the Group rented out certain properties located in Hong Kong to fellow subsidiaries and transferred owner-occupied properties to investment properties (note 11). The carrying amount and fair value of the properties were approximately HK\$248,668,000 and HK\$251,000,000 on the date of transfer, respectively. The excess of HK\$2,332,000 of the fair value over the carrying amount was recorded in other comprehensive income as a revaluation gain.

The fair value of the Group's owner-occupied properties at the date of transfer (i.e. 2 March 2017) has been arrived with reference to a valuation carried out on that date by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group, using the direct comparison approach by making reference to comparable sales transactions as available on the relevant markets.

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For the six months ended 30 June 2017

11. MOVEMENT IN INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2017 has been arrived with reference to a valuation carried out on that date by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group.

The fair value, classified as Level 3 of the fair value hierarchy as at 30 June 2017, was determined using the direct comparison approach by making reference to comparable sales transactions as available on the relevant markets.

During the current interim period, a gain on change in fair value of HK\$5,146,000 was included in other gains and losses in note 4 (six months ended 30 June 2016: Nil).

For the purpose of measuring deferred tax liability arising from investment properties that is measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and determined that the presumption to recover the carrying amounts of investment properties through sale is not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of investment properties (if any) as the Group is not subject to any income taxes on disposal of its investment properties.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	69,268	64,941
Prepayments	8,145	20,196
Other receivables	5,539	4,880
	82,952	90,017

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.

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For the six months ended 30 June 2017

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

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 - 30 days	34,037	25,739
31 - 60 days	16,065	14,632
61 - 90 days	8,137	8,960
Over 90 days	11,029	15,610
	69,268	64,941

13. LOANS RECEIVABLE

(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\$28,230,000) which carries interest at 8% per annum (the "Loan") with maturity of one year. Upon the maturity date of the Loan, Tempus Shenzhen may, at their own discretion, to convert 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. In the opinion of the directors of the Company, the fair value of the option to convert the Loan into shares is insignificant at initial recognition and at the end of the reporting period.

Details of the transaction are set out in the announcement published by the Company dated 13 January 2017.

(b) Pursuant to an agreement dated 29 June 2017 entered into by the Company and an independent third party, the Company has provided to the independent third party a revolving loan of HK\$30,000,000 which carries interest at 10% per annum, guaranteed by the shareholder and a related party of the borrower, and with an original maturity of three months, which can be revolved at a maximum of three times.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. TRADE AND OTHER PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade payables	26,058	20,954
Receipts in advance	9,033	11,619
Accruals	11,064	11,042
Others	15,063	12,421
	61,218	56,036

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 - 30 days	19,204	13,016
31 - 60 days	4,042	5,810
61 - 90 days	1,345	1,213
Over 90 days	1,467	915
	26,058	20,954

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

15. BANK BORROWINGS

As at 30 June 2017 and 31 December 2016, all bank borrowings carried a repayment on demand clause and were shown under current liabilities. The maturity analysis based on scheduled repayment dates set out in the loan agreements are as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	75,710	73,947
In more than one year but not more than two years	3,564	3,528
In more than two years but not more than five years	10,870	10,803
More than five years	62,522	64,406
	152,666	152,684

As at 30 June 2017, the bank borrowings of the Group are in variable interest rate and the weighted average effective interest rate is 1.87% (31 December 2016: 2.11%) per annum.

During the current interim period, the Group raised and repaid bank borrowings amounting to HK\$19,337,000 and HK\$19,355,000 (six months ended 30 June 2016: HK\$23,753,000 and HK\$24,349,000), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. CONVERTIBLE NOTES

On 25 May 2017, the Company entered into three subscription agreements (the "Agreements") with three independent third parties (the "Subscribers"). Pursuant to the Agreements, the Subscribers agreed to acquire the three convertible notes ("CB 2017") with aggregate principal amount of HK\$160,000,000 at an interest rate of 6% per annum. The maturity date is on the 364th day after the issue date. The CB 2017 were issued to the Subscribers on 16 June 2017.

The Subscribers have the right to convert the CB 2017 in whole or in part into shares at any time on or after six months after the issue date of the CB 2017 up to the respective maturity. 69,565,216 new shares will be issued upon full conversion of the CB 2017 based on the initial conversion price of HK\$2.30 which is subject to certain adjustments as set out in the Agreements.

The CB 2017 will be redeemed on maturity at its principal amount outstanding plus a premium which is equivalent to the interest accruing on such principal amount outstanding on the maturity date from the issue date to the maturity date at 10% per annum less all and any interests payable or paid on or before the maturity date in respect of such principal amount outstanding on the maturity date, together with accrued interest due and payable by the Company on the maturity date.

In respect of one of the CB 2017, the Company has given additional undertakings to the effect that it shall not issue or raise bonds or debt instruments or incur financial indebtedness in the future (excluding bank borrowings and the other convertible notes) without having to ensure that the note would rank, in right of payment, and be secured equally and rateably. If such approval is not granted by the noteholder, the Company shall have right to early redeem the relevant convertible note prior to the maturity date, at its principal amount outstanding together with accrued interest due and payable plus a premium which is equivalent to the interest accruing on such principal amount outstanding from the issue date to the date of early redemption at 10% per annum less all and any interests payable or paid on or before the redemption date in respect of such principal amount outstanding on the early redemption date. The other two convertible notes do not provide for right of early redemption before the maturity date. In the opinion of the directors of the Company, the fair value of the option to early redeem such note is insignificant at initial recognition and at the end of the reporting period.

Further details of the terms and conditions of the CB 2017 were disclosed in the announcements published by the Company dated 25 May 2017 and 16 June 2017, respectively.

The CB 2017 contain two components: debt and derivative components amounts to HK\$143,926,000 and HK\$16,074,000 at initial recognition and HK\$143,926,000 and HK\$16,074,000 at 30 June 2017, respectively. The fair value of the debt component at inception date is calculated based on the present value contractually determined stream of future cash flows discounted at 21%, which was determined with reference to the prevailing market rates of interest for a similar instrument with a similar credit rating. The fair value of the derivatives embedded in the convertible notes at initial recognition has been arrived with reference to a valuation carried out by an independent professional valuer not connected with the Group using the Binomial model. The inputs used in the model were as follows:

Share price	HK\$1.81
Exercise price	HK\$2.30
Expected volatility	44.37%
Expected dividend yield	0.00%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. CONVERTIBLE NOTES *(Continued)*

The following table gives information about how the fair values are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Level 3	Binomial option pricing model The fair values are estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price.	Volatility of the share price determined by reference to the historical share price of the Company	The higher the volatility of the share price of the Company, the higher the fair value of the derivative

17. SHARE CAPITAL

There is no change in share capital during the current interim period.

18. PLEDGE OF ASSETS

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Leasehold land and buildings - included in property, plant and equipment	2,270	251,839
Investment properties	266,400	10,254
Bank deposits	9,527	11,545
	278,197	273,638

In addition, the Group's obligations under finance leases are secured by the lessor's charge over the leased assets with carrying values of HK\$5,346,000 as at 30 June 2017 (31 December 2016: HK\$6,635,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. OPERATING LEASES ARRANGEMENTS

The Group as lessor

At the end of the reporting period, investment properties were let out under operating leases. Gross rental income earned during the current interim period was HK\$3,598,000 (six months ended 30 June 2016: HK\$210,000).

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	10,288	130
In the second to fifth years inclusive	16,640	—
	26,928	130

Leases are negotiated and rental are fixed for terms of one to three years.

The Group as lessee

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	50,931	51,816
In the second to fifth years inclusive	32,677	38,807
	83,608	90,623

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. RELATED PARTY TRANSACTIONS

- (a) During the current interim period, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transactions	Six months ended	
		30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Fellow subsidiaries	Installation fee on computer software	77	193
	Rental and management fee	142	—
	Rental income	(3,296)	—
	Service income	(2,664)	(120)
Intermediate holding company	Rental expenses	305	345

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

- (b) Compensation of key management personnel

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

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Fee	250	442
Salaries and other benefits	3,434	1,060
Retirement benefits scheme contributions	13	9
Performance related incentive payments	177	1,027
Share-based payments	927	290
	4,801	2,828

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. 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 26 January 2017, the Company granted 23,420,000 share options (the "Share Options"), comprised (i) 8,800,000 Share Options to the directors of the Company and (ii) 14,620,000 Share Options to certain eligible participants including members of the senior management and employees of the Company, to subscribe for the ordinary shares of the Company at HK\$1.84 per share.

Vesting of the Share Options is conditional upon the fulfilment of certain performance targets as set out in the respective offer letters to the grantees including financial targets of the Group and individual performance targets for certain periods.

At 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,870,000, representing approximately 8.0% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange of Hong Kong being 35,000,000 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	Number of share options granted	Exercise period	Exercise Price
31 August 2015	1,080,000 (Note b)	31.8.2016 to 30.8.2019	HK\$3.38 per share
	1,620,000 (Note b)	31.8.2017 to 30.8.2019	
	2,700,000 (Note b)	31.8.2018 to 30.8.2019	
	5,400,000		
26 January 2017	2,342,000 (Note a)	26.1.2017 to 25.1.2021	HK\$1.84 per share
	7,026,000 (Note b)	26.1.2018 to 25.1.2021	
	7,026,000 (Note b)	26.1.2019 to 25.1.2021	
	7,026,000 (Note b)	26.1.2020 to 25.1.2021	
	23,420,000		

Notes:

- (a) The option was vested immediately on the date of grant.
- (b) The options are vested upon the fulfilment of certain performance targets to the grantees including financial targets of the Group and individual performance targets for certain periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. SHARE-BASED PAYMENTS *(Continued)*

Share options granted in current interim period are calculated using the Binomial model. The inputs into the model are as follows:

Share price on the date of grant	HK\$1.84
Exercise price	HK\$1.84
Expected volatility	78.08%
Contractual life	4 years
Risk-free rate	1.35%
Expected dividend yield	0.93%

The fair value of the Share Options at the grant date is HK\$1.02.

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

Date of grant	Exercise price	Outstanding at 1 January 2017	Granted during the period	Lapsed during the period	Outstanding at 30 June 2017
31 August 2015	HK\$3.38	5,000,000	—	(550,000)	4,450,000
26 January 2017	HK\$1.84	—	23,420,000	—	23,420,000
		5,000,000	23,420,000	(550,000)	27,870,000
Exercisable at the end of the period					3,262,000
Weighted average exercise price		HK\$3.38	HK\$2.11	HK\$2.11	HK\$2.09

No share options were exercised during the six months ended 30 June 2017.

The Group recognised an expense of HK\$2,546,000 in the staff costs for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$1,183,000) in relation to share options granted by the Company.

22. EVENT AFTER THE REPORTING PERIOD

On 26 May 2017, the Company entered into the Sale and Purchase Agreement with Tempus Logistics Group Holding Ltd. (the "Vendor"), a substantial shareholder of the Company which indirectly holds approximately 66.3% of the issued share capital of the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the entire 61.75% equity interest held by the Vendor in Shenzhen Tempus Value Chain Co., Ltd., a joint stock limited company established in the PRC, for a cash consideration of RMB48,165,000 (the "Acquisition"). The resolution to enter into the Acquisition by the Company was duly passed as an ordinary resolution at the extraordinary general meeting held on 14 July 2017 by way of poll and the Acquisition has not been completed up to the date of approving these condensed consolidated financial statements.

Details of the Acquisition are set out in the announcements published by the Company dated 26 May 2017, 23 June 2017 and 14 July 2017.