TEMPUS
騰邦控股

ANNUAL REPORT
2017

騰邦控股有限公司
Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06880

CONTENTS

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. Tam Ka Tung (resigned on 13 January 2017 and reappointed on 31 December 2017)
Mr. Ho Hang Man (resigned on 31 December 2017)

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 (appointed on 13 January 2017)
Mr. Huang Jingkai
Mr. Tam Ka Tung *(alternate authorised representative to Mr. Li Dongming)* (resigned as authorised representative on 13 January 2017 and appointed as alternate authorised representative to Mr. Li DongMing on 31 December 2017)
Mr. Ho Hang Man *(alternate authorised representative to Mr. Li Dongming)* (resigned on 31 December 2017)

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

28th Floor
No.9 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
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

AUDITOR

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

HONG KONG LEGAL ADVISER

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
Standard Chartered Bank (Hong Kong) Limited

INVESTOR RELATIONS

Mr. Tam Ka Tung

STOCK CODE

06880

BOARD LOT

2,000 Shares

GROUP INTRODUCTION

Tempus Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), member of the Tempus Group, is principally engaged in the businesses of (i) health and wellness and (ii) trading and logistics. As a unique offshore capital operation platform for Tempus Group, the Company upholds the philosophy of parallel development in both principal businesses and investments.

In recent years, the Group has become an integrated provider of logistics services including warehousing, transportation, supply chain finance, merchandise trading and internet platforms through a series of acquisitions and investments.

"OTO", founded in 1978, is the Group's flagship brand in its health and wellness business and one of the market leaders in wellness products industry. We have established a sound business network in the Mainland China, Hong Kong, Macau, Singapore and Malaysia with diversified sales channels.

	2017	2016 (Restated)	Changes
Profitability data *(HK$'000)*			
Revenue	**834,288**	659,549	26.5%
Gross profit	**298,444**	283,542	5.3%
Profit before tax	**41,322**	6,143	572.7%
Profit (loss) after tax for the year	**31,500**	(2,151)	1,564.4%
Earnings (loss) per Share — basic and diluted *(HK$)*	**0.07**	(0.02)	450.0%
Gross profit margin	**35.8%**	43.0%	(7.2 ppt)
Profit before tax margin	**5.0%**	0.9%	4.1 ppt
Dividend per share *(HK cents)*			
– final dividend	**2.3**	—	N/A

	As at 31 December		
	2017	2016 (Restated)	Changes
Assets and liabilities data *(HK$'000)*			
Bank balances and cash	**135,122**	232,431	(41.9%)
Bank borrowings	**149,319**	153,622	(2.8%)
Net current assets	**16,547**	186,592	(91.1%)
Total assets less current liabilities	**576,459**	492,820	17.0%
Assets and working capital ratios/data			
Current ratio *(times)*	**1.0**	1.8	(0.8)
Gearing ratio *(%)*	**39.6**	22.1	17.5
Inventories turnover days *(days)*	**25.1**	35.8	(10.7)
Trade receivables turnover days *(days)*	**57.1**	39.3	17.8
Trade payables turnover days *(days)*	**32.7**	40.7	(8.0)

Notes for key ratio:

Gross Profit	Revenue — Cost of sales
Earnings per Share	Profit attributable to shareholders/Weighted average number of ordinary shares
Current ratio	Current assets/Current liabilities
Gearing ratio	Total borrowings/Total assets x 100%.
Inventory turnover days	Average of beginning and ending inventory balances/Cost of sales x number of days in the year
Trade receivables turnover days	Average of beginning and ending trade receivables balances/Revenue x number of days in the year
Trade payables turnover days	Average of beginning and ending trade payables balances/Cost of sales x number of days in the year

CHAIRMAN'S STATEMENT

Dear Shareholders,

Reviewing 2017, the Company forged ahead with the overall strategic objective of "creating a global value chain and establishing a gigantic consumption ecology" and under the guidance of the concept of concurrent development between actual business and investment. Relying on the two major business segments, namely health and wellness as well as trading and logistics, the Company has been active in the establishment of fund management joint ventures to carry out various high-quality asset investment and financing projects, and successfully promoted the integration of internal and external resources. By virtue of the diversified planning layout and outstanding performance of development, the Company has achieved a growth breakthrough in the financial performance in 2017 and realized a turnaround. For the year ended 31 December 2017, the Company recorded a revenue of approximately HK$834.3 million and a profit of approximately HK$31.5 million.

The Company continues to pursue the development model of "Combining industry and investment" and focuses on the development of the major businesses of health and wellness as well as trading and logistics, and seeks to enhance service capabilities and industrial layout in the field of commodity trading by the transformation from product to service and transformation from logistics to trading. Focusing on its main businesses, the Company actively expands investments in areas relating to consumption upgrades and service upgrades, explores quality projects, integrates cross-sector resources, and opens up the upstream and downstream of the industrial chain, in order to form our core competitive advantage by concurrently realizing internal growth and external growth and by gradually building an industrial ecological chain.

During the reporting period, the Company participated in the establishment of two fund management companies, namely TBRJ Asset Management Limited (騰邦汭疆資產管理有限公司) and Yantai Tengbang Equity Investment Management Company Limited* (煙台騰邦股權投資管理有限公司), which respectively launched an overseas merger and acquisition ("**M&A**") fund and a Chinese domestic M&A fund, allowing the Company to be not only able to jointly explore the valuable M&A and investment projects by means of docking with professional investment management teams and creating more synergies with resources and advantages between us and them, but also able to quickly consolidate and integrate more quality resources in the industry, so as to realize thorough integration of the industry and capital and further enhance the capabilities of the Company in fund investment and operation.

With its sharp market insight, the Company fully leveraged on the investment and business opportunities and adopted different investment and financing methods towards different projects to diversify funding risks. During the reporting period, the Company participated in and completed various investment and financing projects through diversified channels, including investment of RMB60 million in a cross-border electronic commerce export platform, Yundongli, investment of RMB25 million in Shanghai Pinzhi's medical project, investment of RMB48.165 million acquiring Shenzhen Tempus Value Chain Co., Ltd.* (深圳市騰邦價值鏈股份有限公司), investment of HK$120 million acquiring a whole-floor property located at No. 9 Des Voeux Road West, Sheung Wan, Hong Kong and the issue of convertible bonds of HK$160 million, creating greater value for the Company while generating synergy with other business segments of the Company. In 2018, the Company will strive to implement simultaneous post-investment management and new project investment. With respect to post-investment management, the Company will realize resource consolidation and synergic industrial development and achieve effect of "one plus one makes more than two" to generate more revenue. With respect to new project investment, the Company will focus on the increase in consumption and achieve service upgrade of premium projects as well as increase the asset and business scale.

"OTO" brand has long been generating steady revenue for the Company. 2017 marks the 40th anniversary of "OTO" brand of the Company. Driven by the concept of health and wellness as well as trading and logistics, it has achieved breakthrough development through product innovation, product extension, model innovation and pursuit of excellence, received multiple awards and gained the long-term and continuous attention and trust from the public and investors. The Group's expansion of its market coverage for trading and logistics business brings opportunities for the development of "OTO", laying a good start for the fifth decade for OTO.

2017 marks the start of Tempus's strategic transformation towards health and wellness as well as trading and logistics businesses and 2018 is the year when the transformation measures implemented and effected. Under the leadership of our management team, all our employees will aim at the target of "focusing on areas of consumer services with households as the targets, and striving to become the world's leader of healthy and quality living" and work on the Company's strategy and business expansion to boost operating capacity and performance striving to create more value and benefits for the Company and its shareholders.

Zhong Baisheng
Chairman and Non-executive Director
Hong Kong, 7 March 2018

* *For identification purposes only*

On 30 November 2017, the Group's acquisition of 61.75% equity interest in Shenzhen Tempus Value Chain Co., Ltd.* (深圳市騰邦價值鏈股份有限公司) ("**Tempus Value Chain**") was completed and Tempus Value Chain had become a non-wholly owned subsidiary of the Company since then. The Directors have determined that the application of merger accounting to the acquisition of Tempus Value Chain will provide more relevant and useful information to financial statement users as it better reflects the economic substance of the transaction. The Group and the entities acquired are regarded as continuing entities. Accordingly, the Group's consolidated financial statements for the year ended 31 December 2017 have incorporated the financial statement items of Tempus Value Chain and the comparative figures have been restated to include the financial results and position of Tempus Value Chain, as if this acquisition had been completed since the dates the respective entities or businesses came under the common control of controlling shareholder of the Company. For avoidance of doubt, the comparative figures in this section are restated figures.

BUSINESS REVIEW

In 2017, the Group has speeded up the pace of development in trading and logistics business through a series of investments such as the acquisition of Tempus Value Chain from its controlling shareholder, the investment in equity interest of Yundongli (Tianjin) Electronic Commerce Company Limited* (雲動力(天津)電子商務有限公司) ("**Tianjin Yundongli**") and the expansion of Tempus Sky Enterprises Limited, a logistics and trading company acquired by the Group in 2016. Meanwhile, existing health and wellness business maintained stable revenue growth.

The Group's consolidated revenue in 2017 was HK$834.3 million, increased by 26.5% as compared to HK$659.5 million in 2016. The growth in revenue was primarily attributed to (i) the organic growth in both OTO and Tempus Value Chain's revenue; (ii) full-year results contribution from Tempus Sky Enterprises Limited which was acquired by the Group on 31 October 2016 in 2017 as compared to only two-months' results contribution in 2016; and (iii) the expansion of the cross-border trading business. Profit for the year was HK$31.5 million, as compared to a loss of HK$2.2 million last year. The significant increase in profit for the year was mainly due to increased profits contribution from the main businesses and gain on change in fair value of the investment properties held by the Group, partly offset by the increase in finance costs and one-off expenses incurred from various investments and merger and acquisition projects during 2017.

HEALTH AND WELLNESS BUSINESS

Products

In 2017, the Group had launched a total of 28 new products, of which 27 were relaxation products. Celebrating the 40th anniversary of the "OTO" brand, the Group had launched series of crossover branded relaxation products with Sanrio cartoon characters and Swarovski. The Group also engaged Mr. Aaron Kwok as spokesman for a high-end massage chair. The new products launched during 2017 had generated revenue of HK$96.3 million or 23.3% of the Group's revenue from the health and wellness business.

	2017		2016		Changes	
		% of		% of		
	HK$'000	**revenue**	HK$'000	revenue	HK$'000	%
Relaxation products	**389,227**	**94.1**	367,373	91.7	21,854	5.9
Fitness products	**18,357**	**4.5**	22,291	5.6	(3,934)	(17.6)
Other products	**5,961**	**1.4**	10,732	2.7	(4,771)	(44.5)
Total	**413,545**	**100.0**	400,396	100.0	13,149	3.3

For the year ended 31 December 2017, sales of the relaxation products, fitness products and other products were HK$389.2 million, HK$18.4 million and HK$6.0 million, respectively, representing 94.1%, 4.5% and 1.4% of the Group's total sales from the health and wellness business, respectively. The increase of 5.9% in sales of relaxation products and the decrease of 17.6% in sales of fitness products were mainly due to the lack of new fitness products being launched in 2017. Other health and wellness products included certain diagnostic and therapeutic products.

Sales Channels

The Group keeps strengthening its sales channels and expanding its geographical market coverage. The diversified sales channels of the Group include (i) traditional sales channels referring to retail outlets; and (ii) proactive sales channels including roadshow counters, corporate sales, international sales and internet sales.

	2017		2016		Changes	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Retail outlets	**283,561**	**68.6**	285,883	71.4	(2,322)	(0.8)
Roadshow counters	**40,804**	**9.9**	55,268	13.8	(14,464)	(26.2)
Corporate sales	**61,405**	**14.8**	31,950	8.0	29,455	92.2
International sales	**13,961**	**3.4**	15,924	4.0	(1,963)	(12.3)
Internet sales	**13,814**	**3.3**	11,371	2.8	2,443	21.5
Total	**413,545**	**100.0**	400,396	100.0	13,149	3.3

(i) Traditional sales channels

For the year ended 31 December 2017, the Group's revenue generated from traditional sales channel was HK$283.6 million, representing 68.6% of the Group's overall revenue from the health and wellness business (2016: 71.4%). The decrease of 0.8% in revenue generated from retail outlets was in line with the decrease in number of retail outlets. As at 31 December 2017, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at	
	31 December 2017	31 December 2016
Mainland China	**102**	130
Hong Kong and Macau	**24**	23
Singapore and Malaysia	**17**	15
Total	**143**	168

Retail business in the Mainland China

As at 31 December 2017, the Group operated 102 retail outlets in the Mainland China, mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei regions and Chengdu. The revenue contributed by retail business in the Mainland China for 2017 was HK$151.1 million (2016: HK$172.0 million), representing 36.6% of the Group's revenue from health and wellness business (2016: 42.9%). The decrease in sales in the region was primarily due to the reduction in the number of retail outlets during the year.

Retail business in Hong Kong and Macau

As at 31 December 2017, the Group maintained 24 retail outlets in Hong Kong and Macau. The revenue contributed by the retail business in the region was HK$144.0 million (2016: HK$144.4 million), representing 34.8% of the Group's revenue from health and wellness business (2016: 36.1%). The revenue in the region remained stable as compared to last year.

Retail business in Singapore and Malaysia

As at 31 December 2017, the Group operated 17 retail outlets in Singapore and Malaysia. The revenue contributed by retail business in the region was HK$29.2 million (2016: HK$ 24.8 million), representing 7.1% of the Group's revenue from health and wellness business (2016: 6.2%). The retail business in Singapore and Malaysia remained stable as compared to last year.

(ii) *Proactive sales channels*

The proactive sales channels are important marketing and revenue generating channels for the Group. These channels not only facilitate the penetration into new market segments with minimum fixed operating expenses, but also mitigate the impact of the escalating operating costs such as retail stores rental, staff costs and advertising expenses. The Group's proactive sales channels generated 31.4% of the Group's revenue from the health and wellness business for 2017 (2016: 28.6%).

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

The revenue from roadshow counters, corporate sales, international sales and internet sales were HK$40.8 million, HK$61.4 million, HK$14.0 million and HK$13.8 million, respectively, representing 9.9%, 14.8% 3.4% and 3.3% of the Group's revenue generated from the health and wellness business, respectively. The significant increase of 92.2% in revenue from corporate sales was due to massive corporate sales of relaxation products in 2017, which was in line with the increase in sales generated by such products.

TRADING AND LOGISTICS BUSINESS

In 2016, the trading and logistics business was commenced and generated a revenue of only HK$73.1 million, representing 15.1% of the total revenue of the Group excluding the revenue generated from Tempus Value Chain. In 2017, the business grew rapidly through a series of acquisitions and investments, including Tempus Value Chain. The revenue generated from trading and logistics business for 2017 reached HK$420.7 million, representing 50.4% of the total revenue of the Group.

Revenue by nature

	2017		2016		Changes	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Trading	**152,545**	**36.3**	74,947	28.9	77,598	103.5
Transportation	**237,267**	**56.4**	176,326	68.0	60,941	34.6
Warehouse and others	**30,931**	**7.3**	7,880	3.1	23,051	292.5
Total	**420,743**	**100.0**	259,153	100.0	161,590	62.4

The Group's trading business represents trading of cross-border commodities such as personal consumables. Transportation services represent delivery and distribution of goods. Warehouse and other services include warehousing, loading and unloading and storage management services.

The revenue from trading business, transportation services and warehouse and other services for 2017 was HK$152.5 million, HK$237.3 million and HK$30.9 million, respectively, representing 36.3%, 56.4% and 7.3% of the Group's revenue generated from the segment of trading and logistics business, respectively.

The increase of 103.5% in revenue generated from trading business was mainly due to increase in both type and volume of trading products in 2017. The significant increase of 292.5% in revenue generated from warehouse and other services was mainly due to the full year revenue contribution from Tempus Sky Enterprises Limited in 2017, which was acquired by the Group in October 2016.

Revenue by type of service

	2017		2016		Changes	
		% of		% of		
	HK$'000	revenue	HK$'000	revenue	HK$'000	%
Trading	**152,545**	**36.2**	74,947	28.9	77,598	103.5
Linehaul	**194,288**	**46.2**	175,166	67.6	19,122	10.9
City distribution and others	**73,910**	**17.6**	9,040	3.5	64,870	717.6
Total	**420,743**	**100.0**	259,153	100.0	161,590	62.4

The linehaul services represent logistics and transport between major cities/provinces in the Mainland China. City distribution and other services represent the distribution of goods in both urban and rural areas of cities.

The revenue generated from linehaul services as well as city distribution and other services for 2017 was HK$194.3 million and HK$73.9 million, respectively, representing 46.2% and 17.6% of the Group's revenue generated from the segment of trading and logistics business, respectively. The dramatic increase of 717.6% in revenue generated from city distribution and other services was driven by full year revenue contribution from Tempus Sky Enterprises Limited during the year. Overall, the revenue generated from each type of services increased during the year due to rapid growth of the business.

The Group's network of the transportation services has been well developed. The Group has established four major distribution centres located in Guangdong, Sichuan, Jiangsu and Liaoning and numerous branches and offices covering most provinces in the Mainland China.

RESULTS OF OPERATION

Revenue

Revenue represents the income from sales of health and wellness products, trading of cross-border commodities and provision of logistics services. The Group's revenue for 2017 increased by 26.5% to HK$834.3 million from HK$659.5 million for 2016. The overall revenue increase was mainly due to the increase of 62.4% in the revenue generated from the segment of trading and logistics.

	2017		2016		Changes	
		% of		% of		
	HK$'000	**revenue**	HK$'000	revenue	HK$'000	%
Health and wellness	**413,545**	**49.6**	400,396	60.7	13,149	3.3
Trading and logistics	**420,743**	**50.4**	259,153	39.3	161,590	62.4
Total	**834,288**	**100.0**	659,549	100.0	174,739	26.5

Cost of sales

Cost of sales represents product cost and direct expenses in relation to purchases of products and provision of logistics services. The Group's cost of sales for 2017 was HK$535.8 million, representing an increase of 42.5% from HK$376.0 million for 2016. The increase in cost of sales was in line with the increase in revenue.

Gross profit

The gross profits for 2017 and 2016 were HK$298.4 million and HK$283.5 million, respectively. The gross profit margins for 2017 and 2016 were 35.8% and 43.0%, respectively. The decrease of 7.2 ppt in overall gross profit margin was mainly due to change of revenue mix. The revenue percentage from the segment of trading and logistics, of which gross profit margin is much lower than that of the segment of health and wellness, increased from 39.3% for 2016 to 50.4% for 2017. The gross profit margin of the segment of health and wellness slightly decreased by 7.5 ppt because of the significant increase in corporate sales, of which the gross profit margin is lower than that of retail sales. However, due to change of trading product mix, the gross profit margin for the segment of trading and logistics slightly increased by 2.9 ppt from 16.1% for 2016 to 19.0% for 2017.

Gross profit margin by segment

	2017	2016	Changes
Health and wellness	**52.9%**	60.4%	(7.5 ppt)
Trading and logistics	**19.0%**	16.1%	2.9 ppt
Total	**35.8%**	43.0%	(7.2 ppt)

Other income

Other income for 2017 was HK$20.7 million, mainly comprising rental income of HK$8.8 million and bank interest income of HK$4.2 million. Other income for 2016 was HK$8.2 million, mainly comprising bank interest income of HK$2.9 million and repair income of HK$1.4 million.

Other gains and losses

Other gains and losses for 2017 was a gain of HK$54.5 million, mainly comprising a gain on fair value change of investment properties of HK$40.8 million change in fair value of derivatives embedded in convertible notes of HK$9.5 million and net exchange gain of HK$3.2 million. Other gains and losses for 2016 was a loss of HK$0.7 million, which mainly comprised a net exchange loss of HK$0.6 million.

Share of results of joint ventures

Share of results of joint venture for 2017 was a loss of HK$0.7 million (2016: nil), representing the Group's share of loss from the Yantai Leteng Equity Investment Management Centre (Limited Partnership)* (煙台樂騰股權投資管理中心(有限合夥)) and TBRJ Asset Management Limited.

Share of results of associates

Share of results of associates for 2017 is minimal (2016: nil).

Selling and distribution expenses

Selling and distribution expenses increased from HK$205.0 million for 2016 to HK$224.6 million for 2017. The increase was mainly attributed to the increase in staff costs of HK$8.9 million, which were partly offset by the decrease in marketing and promotion expenses of HK$1.1 million.

Administrative expenses

Administrative expenses increased from HK$79.3 million for 2016 to HK$88.5 million for 2017. The increase was primarily due to the increases in staff costs of HK$5.7 million and professional fees of HK$1.9 million, which were partly offset by the decrease in general office expenses of HK$0.4 million.

Finance costs

Finance costs significantly increased to HK$18.6 million for 2017 from HK$0.6 million for 2016. The significant increase in finance costs was mainly due to more debt financing activities occurred during the year, including properties mortgage, issue of convertible notes and senior note.

Profit before tax

As a result of the factors described above, the Group's profit before tax was HK$41.3 million for 2017, as compared to HK$6.1 million for 2016.

Income tax expense

Income tax expense was HK$9.8 million for 2017 and HK$8.3 million for 2016. The increase was mainly attributable to more profit subject to income tax in 2017.

Profit (loss) for the year

As a result of the factors described above, the Group's profit for 2017 was HK$31.5 million, as compared to a loss of HK$2.2 million for 2016.

FINANCIAL POSITION

As at 31 December 2017, total equity of the Group was HK$482.8 million (as at 31 December 2016: HK$488.0 million). The decrease was mainly due to the decrease in merger reserve which was partly offset by profit for the year.

As at 31 December 2017, the Group's net current assets was HK$16.5 million (as at 31 December 2016: HK$186.6 million). The current ratio was 1.0 times (as at 31 December 2016: 1.8 times). The significant decreases in the Group's net current assets and current ratio were mainly due to the decrease in bank balances and cash for the Group's investments which were mainly classified as non-current assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had bank balances and cash of HK$135.1 million (as at 31 December 2016: HK$232.4 million). The Group's bank balances and cash primarily consisted of cash on hand and bank balances which were mainly held at the banks in Hong Kong and the PRC. The Group's approach in managing liquidity is to ensure, as far as possible, that the Group always maintains sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash used in operating activities was HK$33.3 million for 2017 (2016: HK$2.9 million generated from operating activities), primarily reflecting the operating cash inflows before movements in working capital of HK$23.4 million, as adjusted by a decrease of HK$3.4 million in inventories, an increase of HK$94.8 million in trade, bills and other receivables and an increase of HK$36.8 million in trade and other payables.

Investing activities

Net cash used in investing activities was HK$272.7 million for 2017 (2016: HK$124.1 million) investments in joint ventures, which was primarily due to the consideration paid for HK$36.2 million, consideration paid for acquisition of assets through acquisition of a subsidiary of HK$118.1 million, acquisition of available-for-sale investment of HK$27.9 million and acquisition of property, plant and equipment of HK$7.2 million.

Financing activities

Net cash generated from financing activities was HK$201.2 million 2017 (2016: HK$58.2 million), which was primarily due to the additions of convertible notes of HK$160.0 million and senior note of HK$100.0 million during the year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 December 2017 was HK$414.8 million with effective interest rate ranging from 2.1% to 10.0% per annum. The Group's gearing ratio increased by 17.5 ppt from 22.1% as at 31 December 2016 to 39.6% as at 31 December 2017, which was primarily due to additions of convertible notes of HK$160.0 million and senior note of HK$100.0 million during the year.

WORKING CAPITAL

As at 31 December 2017, the net working capital of the Group was HK$16.5 million, representing a decrease of HK$170.1 million or 91.2% as compared to HK$186.6 million as at 31 December 2016. Although the Company issued convertible notes of HK$160.0 million and senior note of HK$100.0 million in 2017, the proceeds from such issue were mainly used in acquisition of investment properties and investment in associates/joint ventures which were classified as non-current assets, leading to the significant decrease in working capital.

As at 31 December 2017, the Group's inventories decreased by HK$3.4 million to HK$35.2 million from HK$38.6 million as at 31 December 2016. The inventories turnover days was 25.1 days as at 31 December 2017 as compared with 35.8 days as at 31 December 2016. The decreases in both inventories and inventories turnover days were primarily due to improved inventories control and logistics management.

As at 31 December 2017, the Group's trade receivables increased by HK$94.7 million, to HK$177.9 million from HK$83.2 million as at 31 December 2016. The trade receivables turnover days was 57.1 days, representing an increase of 17.8 days from 39.3 days as at 31 December 2016. The significant increase was mainly attributed to the increase in accounts receivable and longer credit terms granted to customers in the segment of logistics business.

As at 31 December 2017, the Group's trade payables increased by HK$27.6 million to HK$61.8 million from HK$34.2 million as at 31 December 2016. The increase in trade payables was in line with the increase in revenue and cost of sales. The trade payables turnover days decreased to 32.7 days from 40.7 days as at 31 December 2016. The decrease in trade payables turnover days was mainly due to faster payment to suppliers in general during the year.

CAPITAL EXPENDITURE

During the year ended 31 December 2017, the Group's total capital expenditure amounted to HK$8.2 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 December 2017, the Group had pledged certain assets, including leasehold land and buildings, property, plant and equipment, investment properties and bank deposits with a total carrying value of HK$433.7 million for the purpose of securing certain banking and other facilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Investment in Shanghai Pinzhi

On 13 January 2017, the Group subscribed a 1-year term loan of Shanghai Pinzhi Investment Management Limited* (上海品智投資管理有限公司) ("**Shanghai Pinzhi**") with the principal amount of RMB25,000,000 and interest rate of 8% per annum, in which the Group was entitled to convert into 12.5% of the enlarged equity interest of Shanghai Pinzhi. On 28 November 2017, the Group exercised the conversion right attached to the loan and acquired 12.5% equity interest of Shanghai Pinzhi. On 22 December 2017, the Group conditionally sold the entire 12.5% equity interest of Shanghai Pinzhi to Yantai Leteng Equity Investment Management Centre (Limited Partnership)* (煙台樂騰股權投資管理中心(有限合夥)), a limited partnership established in the PRC with a total capital of RMB150,000,000, in which the Group has 20% interest as a limited partner, for a consideration of RMB50,000,000. The transaction has not been completed up to the date of this report. For details, please refer to Company's announcements dated 13 January 2017 and 22 December 2017. As at 31 December 2017, the 12.5% equity interest of Shanghai Pinzhi was accounted for as an available-for-sale investment of the Company.

Acquisition of Tempus Value Chain

On 26 May 2017, the Group conditionally acquired 61.75% equity interest of Tempus Value Chain from Tempus Logistics Group Holding Ltd.* (騰邦物流集團股份有限公司) ("**Tempus Logistics**"), which is a substantial shareholder and a connected person of the Company, for a cash consideration of RMB48,165,000. The transaction was completed on 30 November 2017 and Tempus Value Chain became a non-wholly owned subsidiary of the Company. Given that both the Group and Tempus Value Chain were under the common control of Tempus Logistics, the Company adopted merger accounting to account for the acquisition. For details, please refer to Company's announcements dated 26 May 2017, 14 July 2017 and 30 November 2017 and circular dated 23 June 2017.

Investment in Yundongli

On 12 October 2017, the Group conditionally acquired 12.0% of the enlarged equity interest in Yundongli (Tianjin) Electronic Commerce Company Limited* (雲動力(天津)電子商務有限公司) ("**Yundongli**") through equity transfer from existing shareholders of Yundongli and capital injection for a total consideration of RMB60,000,000. The founding shareholders of Yundongli agreed to provide a profit guarantee to the Company that the net profits of Yundongli for the financial years 2017, 2018 and 2019 (the "**Guarantee Period**") shall not be less than RMB40,000,000, RMB70,000,000 and RMB100,000,000, respectively (the "**Guaranteed Profits**"). If the Guaranteed Profits have not been achieved for any financial year within the Guarantee Period, the Company (or its nominated entity) is entitled to receive additional equity interest in Yundongli to be transferred from or cash to be paid by the founding shareholders as compensation for the difference based on the formula specified in the investment agreement of the transactions. As at the date of this report, Yundongli's financial statements for the year ended 31 December 2017 has not been finalized. The above transactions were completed on 16 January 2018 and the Company had become interested in 12.0% of the entire equity interest of Yundonli since then. For details, please refer to Company's announcements dated 12 October 2017 and 16 January 2018.

Participation in Yantai Fund

On 29 November 2017, the Group participated in Yantai Leteng Equity Investment Management Centre (Limited Partnership)* (煙台樂騰股權投資管理中心(有限合夥)) ("**Yantai Fund**"), a limited partnership established in the PRC, as a limited partner for a capital commitment of RMB30,000,000. The general partner of the Yantai Fund is Yantai Tengbang Equity Investment Management Company Limited* (煙台騰邦股權投資管理有限公司), a company established in the PRC with limited liability, of which the Company indirectly holds 40% of the interest. The purpose of participating in the Yantai Fund was to seek quality investments in healthcare and technology innovation sector in the Mainland China. For details, please refer to Company's announcements dated 29 November 2017 and 15 December 2017. As at 31 December 2017, the interest in Yantai Fund was accounted for as a joint venture of the Company.

Acquisition of property

On 7 December 2017, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to purchase the entire issued share capital of KK II (BVI) Limited ("**KK II**") and accepted the benefit of the sale loans of KK II for an initial consideration of HK$120.0 million, which was then adjusted to HK$118.2 million with reference to the net current liability of KK II. KK II directly owns a property in Hong Kong. The completion of the acquisition took place on the same date. For details, please refer to Company's announcement dated 7 December 2017.

Participation in TBRJ Fund

On 12 December 2017, the Group participated in TBRJ Fund I L.P. ("**TBRJ Fund**"), a Cayman Islands exempted limited partnership, as a common limited partner for a capital commitment of US$3,580,000 (equivalent to approximately HK$27,924,000). The general partner of the TBRJ Fund is TBRJ Asset Management Limited ("**TBRJ**"), a Cayman Islands exempted company, of which the Company indirectly holds 45% of the interest. The purpose of the investment in the TBRJ Fund was to capture and participate in potential investment opportunities in relation to high-quality business worldwide, leveraging on the investment expertise of the TBRJ. For details, please refer to Company's announcement dated 12 December 2017. As at 31 December 2017, the interest in the TBRJ Fund was accounted for as an available-for-sale investment of the Company.

Save as disclosed above and elsewhere in this report, the Group did not have any significant investments, material acquisitions and disposals of assets during the year ended 31 December 2017.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017 and 31 December 2016.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 December 2017, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB65,835,000 (equivalent to approximately HK$79,052,000), and in United States dollar of approximately US$1,127,000 (equivalent to approximately HK$8,743,000). The Group does not use any derivative financial instrument to hedge the foreign exchange risk. Instead, the Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

The Group does not have any solid plans for material investments or acquisition of capital assets as at the date of this report. The Group continues to seek appropriate investment opportunities which are in line with the Group's strategy.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total number of 773 (as at 31 December 2016: 796) full-time employees. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option schemes of the Company. The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The remuneration committee will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute 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.

STRATEGIES AND PROSPECTS

The Directors notice the prevailing market trend that traditional retailing keep deteriorating amid the rise of e-commerce and change of consumers' buying habit. In 2017, the Group successfully diversified its business to trading and logistics sector to hedge the downside risk in retailing. Meanwhile, the original health and wellness business, which heavily counted on traditional retailing in the past, has been gradually shifting to internet sales and corporate sales channels. The Directors believe that the Group has built a solid foundation in 2017 and is on the right track to cope with challenges ahead. In 2018, the Group will implement the following key measures to ensure further business growth: (i) post-acquisition integration and operational improvement of the companies in trading and logistics sector acquired or invested, including Tempus Value Chain, Tempus Sky Enterprise Limited, and Yundongli; (ii) continuing the innovation and breakthrough in sales channels, marketing and product for health and wellness business; and (iii) merger and acquisition in health and wellness, and trading and logistics business sectors.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The proceeds from the global offering of the Company in 2011, after deduction of related issuance expenses, amounted to approximately HK$92.6 million. As at 31 December 2017, the proceeds had been fully utilised in accordance with the proposed use of net proceeds, with is set out in the table below.

	HK$' million
Use of net proceeds:	
Expansion of the Group's PRC operations	45.9
Advertising and promotional activities in the PRC	20.0
Renovation and redecoration the existing retail outlets in Hong Kong and Macau	10.7
Enhancement of the research and development capability	8.0
Upgrade of the Group's IT systems	8.0
	92.6

USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE NOTES

On 16 June 2017, the Company issued convertible notes to certain investors in the aggregate principal amount of HK$160,000,000. The net proceeds were approximately HK$159,800,000. The Company intended to use approximately 70% of the net proceeds for facilitating the Group's business acquisition and/or business development in line with the Group's main business and 30% for general corporate working capital purpose of the Group. The net proceeds had been fully utilised as at 31 December 2017, in accordance with the use of the proceeds as disclosed in the Company's announcement dated 16 June 2017. For details, please refer to Company's announcements dated 25 May 2017 and 16 June 2017.

1. ABOUT THIS REPORT

The Environmental, Social and Governance Report ("**ESG Report**") elaborated the work performance of Tempus Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**We**") on implementing the concept of sustainable development and performing its corporate social responsibilities in 2017.

1.1 Reporting Scope

The ESG Report mainly focused on the environmental and social performance of our core business in the Mainland China, Hong Kong, Macau, Singapore and Malaysia during the period from 1 January 2017 to 31 December 2017 (the "**Year**"). As for the latest information of corporate governance, please refer to the "Corporate Governance Report" on page 59.

1.2 Reporting Guideline

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

1.3 Reader's Feedback

Your opinions will be highly valued by the Group. If you have any comment or suggestion, please contact us at +852 2543-6880.

2. COMMUNICATION WITH STAKEHOLDERS

The Group highly values the opinions from stakeholders and communicates with each party through various channels. At present, the key stakeholders of the Group include the government, investors, employees, customers, industry associations, etc. We understand their expectations through various communication channels, which helps the Group to objectively review and address the issues occurred in different phases during implementation of corporate social responsibility and sustainable development.

The ESG Report was prepared by our staffs' joint-effort and enabled the Group to have a better understanding of our development progress in environmental and social aspects.

Key Stakeholders	Their Expectations	Communication Channels
Government	• Comply with laws and regulations	• Forums, seminars, talks and conferences
Investors (Shareholders)	• Good financial performance	• Annual reports, interim reports and announcements
	• Update the Group's operation information timely	• Annual general meeting
		• Regularly update the company website
Media	• Understand the latest operation information of the Group	• Annual reports, interim reports and announcements
		• Hold luncheon to communicate with media
Employees	• Comfortable working environment	• Hold annual work conference, Spring Festival meeting and so on
	• Bright career prospects	• Review the performance of employees regularly
		• Hold different types of vocational trainings
		• Conduct departmental meetings regularly
Customers	• High-quality customer service	• Customer service hotline
	• High-quality products	• Customer satisfaction investigation
Industry Associations	• Promote the development of the industry	• Proactively participate in activities organized by industry associations

3. ENVIRONMENT AND RESOURCES

Protecting environment brings common interest of all humankind and is the responsibility and obligation of every corporate citizen. The Group encourages operating business in an environmentally-responsible manner and commits to reduce the environmental impacts raised from operations.

3.1 Emissions Management

The Group's business mainly focuses on the self-owned "OTO" brand including products design and development, brand promotion and management and products sales. We sell products to customers primarily via retail outlets (retail stores and consignment counters). Our subsidiary, Tempus Sky Enterprises Limited is principally engaged in logistics distribution, warehousing management and cross-border trade. The Group strictly observed environmental laws and regulations in countries or regions where our business operates, such as the *Environmental Protection Law of the People's Republic of China*.

Due to business nature, the Group's daily operations in retail outlets, warehouses and offices do not discharge wastewater or emit exhaust gas, other than solid wastes and vehicle emissions and greenhouse gas emission. The solid wastes we generated in offices mainly include waste paper, printer cartridges and domestic wastes. While in the Group's warehouses and retail outlets, the main solid wastes are waste packaging materials, abandoned decoration materials, discarded product parts, etc.

We implemented various environmental measures to reduce both hazardous and non-hazardous wastes. For example, durable packaging materials were used to reduce their consumption. We also hired qualified recyclers to recycle waste packaging materials. For abandoned decoration materials generated in retail outlets, the Group collected them to the malls' designated disposal sites. We reused product components, promotional brochures, sales props and decorations as much as possible. The removed non-recyclable parts of products were sold to qualified recyclers. The main hazardous waste produced in Group's offices, and printer cartridges were also collected by qualified recyclers for recycling.

3.2 Resource Management

Other than the domestic water used in offices, there is no other water required during the Group's daily operations. The retail outlets and warehouses normally share the same potable water and drainage systems with shopping malls or properties. The purchased electricity and vehicle fuel are the main energy consumption in our retail outlets, warehouses and offices. In order to improve resources efficiency and reduce energy consumption, the Group has implemented various measures, including replacing traditional lamps with LED lights, reminding employees to shut down all electrical equipment after work, adjusting air-conditioning temperature to 26℃, encouraging duplex printing, recycling printed paper, reusing office supplies, etc. The Group also adopts the Enterprise Resources Planning (ERP) system to optimize resource allocation and management during procurement, logistics and sales of "OTO" products, thereby to reduce resources consumption.

3.3 Environmental and Resources Management

As a non-manufacturing enterprise, we do not have significant adverse impact on the environment and natural resources, but still strive to make contribution to environment protection. As an example, when our retail outlets require decoration or renovation, we require the contractors considering decoration materials that are safe and environmentally friendly.

3.4 Environmental Performance Data

During the Year, the Group collected the resources consumption data, and also calculated the discharges of greenhouse gas, air pollutants and solid wastes. The data are as follows:

	Data in 2017	Unit
Total Amounts of Resources Consumption		
Total Amount of Electricity Consumption	949,393	kWh
Electricity Consumption Intensity	30	kWh/m^2 (gross floor area)
Total Amount of Diesel Consumption (Vehicle)	209,563	L
Diesel Consumption Intensity (Vehicle)	7,484	L/vehicle
Total Amount of Gasoline Consumption (Vehicle)	18,641	Tons
Gasoline Consumption Intensity (Vehicle)	9,320	Tons/vehicle
Total Amount of Water Consumption	5,458	Tons
Water Consumption Intensity	0.2	Tons/m^2 (gross floor area)
Vehicle Air Pollutant Emissions		
CO Emissions	156	Kg
NO_x Emissions	2,085	Kg
SO_x Emissions	4	Kg
$PM_{2.5}$ Emissions	14	Kg
PM_{10} Emissions	0.3	Kg
Greenhouse Gas Emissions (scope 1 and scope 2)		
Vehicle Emissions (scope 1)	2,092	Tons
Energy Consumption Emissions (scope 2)	460,720	Tons
Total Greenhouse Gas Emissions	462,811	Tons
Total Greenhouse Gas Emissions Intensity	14.5	Tons/m^2 (gross floor area)

	Data in 2017	Unit
Production and Recovery of the Non-hazardous Waste		
Waste Paper	5,224	Kg
Waste Paper Production Intensity	0.2	Kg/m^2 (gross floor area)
The Amount of Waste Paper Recovery	1,312	Kg
Waste Packaging Materials	96,600	Kg
Waste Packaging Materials Production Intensity	3	Kg/m^2 (gross floor area)
The Amount of Waste Packaging Materials Recovery	1,200	Kg
Waste Stationery	1	Kg
The Amount of Cardboard Box Recovery	697,800	Kg
Production of the Hazardous waste		
Printer Cartridges	78	Number

Remarks: The data of 2016 and 2017 included the electricity consumption of the Group's Hong Kong office, Tempus OTO (Shenzhen) Health Industry Ltd., Dainty Shanghai Co. Ltd., Tempus Sky Enterprises Limited, OTO Wellness Pte. Ltd., and OTO Wellness Sdn. Bhd.

4. GENERAL PROVISIONS OF EMPLOYMENT AND LABOR

Employees are one of the most valuable assets and business foundation. Holding on the idea of matching manpower to specific position and making full use of employee's ability, the Group provides equal opportunities and appropriate platforms for our employees and also imports new impetus to contribute to the corporate's sustainable development.

4.1 Employee's Rights and Benefits

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China,* the *Employment Ordinance* of Hong Kong SAR, the *Labor Relations Law* of Macao SAR, the *Employment Act* of Singapore, the *Employment Act* of Malaysia, and other relevant laws and regulations in countries or regions where our business operates. Through compliance with these laws and regulations, the Group has established an open, fair and impartial human resources operation system.

The Group advocates culture diversity and racial equality. During the recruitment process, we provide equal opportunities for each candidate and does not discriminate applicants by their gender, age, race, religion, etc. Moreover, we strictly observe relevant laws and regulations in terms of prohibiting the employment of juveniles in countries or regions where our business operates. When new employees are recruited, their identity documents shall be verified by the Group. The Group holds the right to terminate labor contract with the employee who violates the Group's rules and regulations or is held criminally liable.

The Group provides competitive salaries to employees based on their qualifications, contributions and experience. Our performance appraisal mechanism allows the Group to dynamically adjust employee's salary and award bonuses based on their performance, experience, working attitude and the Group's performance. Our employees have clear promotion path if their performance is outstanding and in line with the job requirements.

The working hour and working day of the Group's employees are set in compliance with local employment laws and regulations. Employees can enjoy personal leave, marriage leave, maternity leave, funeral leave, annual leave and other holidays. Holiday arrangements are carried out according to relevant regulations of countries or regions where it operates. In order to monitor the employees' attendance and eliminate forced labor, the Group has formulated work attendance regulation.

The Group operates Mandatory Provident Fund ("**MPF**") Schemes to employees in Hong Kong in accordance with the *MPF Schemes Ordinance* of Hong Kong. The Group also participates in the Macao SAR's mandatory social security funds and makes contributions in accordance with the provisions in the Macao SAR *Social Security System* and provides employees' compensation insurance to its employees. To the employees in the Mainland China, the Group offers work-related injury (or accidental injury) insurance, in-hospital medical insurance, retirement pension and housing provident fund in accordance with the *Social Insurance Law of the People's Republic of China, Regulations on Administration of Housing Provident Fund* and other provisions. For the local employees in Singapore and Malaysia, the Group provides appropriate welfare according to applicable laws and regulations on social security and housing provident fund.

The data of human resources at the Year end are as follows:

	Number of Employees (by gender)	
	Male	**Female**
Total (person)	245	528
Percentage (%)	32	68

	Number of Employees (by age)			
	18-30	**30-40**	**40-50**	**50 and above**
Total (person)	295	267	143	68

	Number of Employees (by employment type)		
	Senior management	Middle Management	General employees
Total (person)	20	68	685

	Number of Employees (by region)		
	Hong Kong and Macau	Mainland China	Malaysia and Singapore
Total (person)	178	520	75

4.2 Development Platform

The Group helps employees to develop long-term career plans by providing them with a variety of training programs. Before taking up their positions, new employees are required to participate in orientation training. Every year, all employees are required to participate in on-the-job training. The training contents variate for different positions, for example, the contents for employees in charge of research and development includes topics such as technical development trends, new technology development and application, etc.; the contents for employees in marketing includes topics such as market status and trends, market behavior, marketing management techniques, advertising, media, etc.; the contents for employees in charge of logistics service includes topics such as warehousing, purchasing and supply management, etc.; and the contents for employees in retail outlets include topics such as product features, sales skills, customer services, etc. The training methods of the Group include internal training and external training. Internal training is held by the internal departments of the Group, and the external training involves hiring experienced individuals to the Group to give lessons, participate in academic exchanges and expert lectures, attend on-site visits, attend training in the leading enterprises in the same industry and so on. After each training activity, both the human resources department and the employee's own department assess the training outcomes.

In the Year, the Group organized various training sessions including internal training and external training. The training courses included new employee's orientation, the training on corporate culture, the training on listing rules, the training on related party transactions, the training on the mode of enterprise operation, etc.

The data of employee's training are as follow:

	Employees Trained (by gender)	
	Male	**Female**
Percentage (%)	100	100

	Employees Trained (by employee type)		
	Senior management	**Middle Management**	**General employees**
Percentage (%)	100	100	100

	Average Training Hours per Employee (by gender)	
	Male	Female
Total (hours)	7.5	7.9

	Average Training Hours per Employee (by employment type)		
	Senior management	Middle Management	General employees
Total (hours)	14.2	6.1	6.5

4.3 Occupational Health and Safety

The Group strictly complies with the laws and regulations on occupational health and safety in countries or regions where it operates, such as the *Labor Law of the People's Republic of China* and the Occupational Safety and Health Ordinance in Hong Kong. To ensure employees' safety and to avoid occupational hazards, the Group organizes employees to participate in fire drills arranged by local property management companies regularly. Employees in charge of maintenance are required to obtain electrician certificate before taking up the position. Employees in warehouse are required to obtain driving license to drive forklifts. Meanwhile, safety checks are conducted by government personnel according to the local government's requirements. Moreover, Sky Logistics and Supply Chain Limited provides safety clothing for employees, offers financial support for employees who participate in forklift driver's license examining, formulates safe operation procedures to regulate the driving and maintenance of forklifts and hand pallet trucks, and post safety instructions, namely, *Safety Tips of Driving Forklift and Correct Lifting Methods* that are provided by Hong Kong Occupational Safety and Health Bureau at the prominent places of warehouses. In addition, the Group provides employees with medical insurance to further ensure their health. During the Year, there was no work-related fatality or work injury accident in the Group.

The Group not only values the safety of employees, but also implements a number of measures to provide a healthy and comfortable working environment for employees. The measures include disallowance of smoking at workplaces, arranging break time and rest area for employees, placing plants in indoor areas, work place ventilation, regular cleaning of air-conditioning systems, etc.

5. PRODUCTS AND SERVICES

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

5.1 Supply Chain Management

The goods purchased by the Group can be categorized into "OTO" products and supplies for retail outlets, warehouses and offices. For "OTO" products, procurement of raw materials and production of products are outsourced to external manufacturers. While selecting a product manufacturer, the Group evaluates its history record, financial strength, production experience, reputation, production capacity of high-quality products and quality control effectiveness. Environmental and social performance will also be considered during the selection of manufacturers, for example, manufacturers who obtain ISO 14001 and ISO 9001 certificates are preferred. The Group also conducts inspection on existing manufacturers regularly. If a manufacturer's qualification ratio falls below 90% for three consecutive times during the supply period, it will be disqualified and a new qualified manufacturer will be enlisted in time so as to increase manufacturers' sense of competition.

Apart from product manufacturers, the Group's sales business in the Mainland China also requires selection of warehousing and logistics service providers. In order to effectively control the operation costs of warehousing and transportation, the Group selects warehousing companies according to the factors such as degree of standardization, inventory operation, logical stacking and field investigation, and chooses logistics companies by evaluating the companies' market reputation, customer service quality, transportation efficiency and trial service performance.

5.2 Products Quality and Safety

The Group highly values the management and monitoring of product quality. Before production, the Group provides manufacturers with exact specifications and requirements for production, inspection and packaging. After manufacturers receive these production specifications, they produce samples for examination. An approval from the Group must be obtained before proceeding with mass production. In every stage of the production process, the Group arranges inspections of production sites from time to time. Before shipment, the quality control staffs randomly check the first two batches of new products and conduct internal inspections when the products arrive at the Group's warehouses.

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

In accordance with the laws and regulations on product safety in countries or regions where it operates, the Group clearly places Chinese and English warnings labels regarding safe storage, use or disposal of the products on a prominent position of all products' packaging. During the Year, there was no product recall for safety and health reasons.

5.3 After-sales Service

The Group has formed a team consisting of skilled engineers and technicians to provide customers with high-quality and efficient after-sales service. The Group provides one-year warranty for all products. Customers can arrange maintenance services or make complaints via visiting the retail outlets directly, dialing the after-sales service hotline, or sending e-mail. For the complaints about service attitude, the sales department will conduct investigation and impose penalties as appropriate. The complaining customer will be informed of the result of the investigation in due course. In addition, the Group also collects the opinions and suggestions on products from customers through customer relationship management system, in order to assist the design and development of products and enhance the quality management and services. According to the record, there were no products and service related complaints received during the Year.

5.4 Product Promotion

The Group displays products through television and radio programs, newspapers, magazines, advertising posters, display boards, in-store display boards, exhibition shelf of retail stores and department stores; conducts direct advertising through direct mail, developing promotion activities and special offers with financial institutions, sponsoring health care activities and projects, participating in exhibitions and other channels; and conducts indirect advertising by engaging product spokespersons. The advertising and promotional activities carried out by the Group are in compliance with the relevant laws and regulations in countries or regions where it operates, such as the *Trade Descriptions Ordinance* of Hong Kong. The Group also ensures that all advertising contents are clear, real and authentic. The use of false and misleading product descriptions in advertisements is strictly prohibited.

5.5 Intellectual Property and Privacy Protection

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

In addition, the Group also respects the privacy rights of individuals. Customers' information, maintenance information, and the information on complaints are kept strictly confidential.

5.6 Information Management System

The Group has standardized the internal operation processes including warehousing, storage, wholesale, procurement, sales exhibition, retail sales and transfer through the implementation of ERP system. The ERP system has several advantages, such as simplifying inefficient, complex operating processes, assisting the Group as well as its business partners to manage the entire supply chain, control costs and risks, save resources and budgets, increase operational flexibility, maximize labor potential, increase customer satisfaction, etc.

5.7 Construction of a Clean Administration

The Group strictly abides by the laws and regulations on integrity and prevention of corruption and bribery in countries or regions where it operates, such as the *Anti-Money Laundering Law of the People's Republic of China* and the *Prevention of Bribery Ordinance* of Hong Kong. The Group explicitly states that any form of corruption, bribery or kickback is strictly prohibited in its labor contract and employee manual. The Group's management team is also obliged to comply with the regulations on anti-corruption in the policies of the headquarters (that is, the controlling shareholder, Tempus Group Co., Ltd.).

6. COMMUNITY INVOLVEMENT

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

During the Year, Tempus Charity Foundation sponsored a charity camping activity organized by the Scout Association of Hong Kong, the Hong Kong Network for the Promotion of Inclusive Society and the Gold Award Holders Association Hong Kong. From 30 September 2017 to 2 October 2017, the employees of the group volunteered and participated in a charity camping activity that helps the disabled individuals and their families. During the activity, the families with disabled members and the Group's employees together played several outdoors sports, which brought positive energy to all participants as well as joy to share with each other.

7. ANNUAL AWARD

In 2017, the Group received awards from different organizations through the efforts from all employees. The Group was deeply honored and would continue making efforts to fulfill the expectations from the stakeholders.

The Group was awarded with "The Most Promising Listed Company Award of 2016 China Financing Listed Company Prize" and the "Market Leadership 2016" from China Financial Market and Hong Kong Institute of Marketing, respectively.

DIRECTORS' REPORT

The board (the "**Board**") of Directors of the Company present the annual report with the audited consolidated financial statements for the year ended 31 December 2017 together with the restated comparative figures for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 44 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period is set out on page 184 of this annual report. This summary does not form part of the audited financial statements.

BUSINESS REVIEW AND OUTLOOK

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 80 to 88 of this report.

The Board has recommended the payment of a final dividend of HK cents 2.3 per ordinary share amounting to a total dividend of approximately HK$8.0 million for the year ended 31 December 2017 (2016: Nil). The financial statements do not reflect the dividend payable. The proposed final dividend is subject to approval by the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the"**AGM**") to be held on 16 May 2018. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend is expected to be payable on 25 June 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members will be closed from Friday, 11 May 2018 to Wednesday, 16 May 2018 (both dates inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending and voting at the forthcoming AGM of the Company to be held on Wednesday, 16 May 2018 or any adjournment of such meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar (the "**Hong Kong Share Registrar**"), Boardroom Share Registrars (HK) Limited, at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong by not later than 4:30 p.m. on Thursday, 10 May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

Following the approval of the proposed final dividend at the AGM, the register of members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2018.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 34 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Group's aggregate amounts of reserves available for distribution were approximately HK$404,341,000.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 16 to the consolidation financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in notes 31 to the consolidated financial statements of this annual report. Bank borrowings repayable within one year or on demand are classified as current liabilities in the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group's sales to its five largest customers accounted for approximately 23.2% of the Group's total sales and the Group's sales to its largest customer accounted for approximately 6.8% of the Group's total sales. The Group's five largest suppliers accounted for approximately 32.3% of the Group's total purchases, while the largest supplier for the year accounted for approximately 11.5% of the Group's total purchases.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Significant competition

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

Operational risks

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

Risk with regard to trade receivables

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

Interest rate risks

The Group's certain borrowings are floating-rate bank loans, which expose the Group to rising interest rates. We will closely monitor the interest rate risk and consider to adopt measures to manage the associated risk when appropriate, including but not limited to issue of fixed rate bonds and use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. As at 31 December 2017, the Group had not carried out any hedging activities to manage its interest rate exposure.

DIRECTORS

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

Executive Directors

Mr Li Dongming *(Chief executive officer)*
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

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

By virtue of Article 105 of the Articles of Association, Mr Zhong Baisheng, Ms Zhang Yan and Mr Li Qi will retire from office and, being eligible, will offer themselves for re-election at the AGM.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and members of the senior management are set out on pages 70 to 73 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

The executive Director Mr Huang Jingkai's annual salary has been increased with effect from 1 June 2017 as approved by the remuneration committee of the Company and the Board. The executive Director Mr Yip Chee Lai, Charlie had renewed his service contract with the Company for a term of two years with effect from 25 February 2017 which is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles of Association.

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

REMUNERATION OF THE DIRECTORS

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

Details of the emoluments of every Director for the year is set out in note 12 to the consolidated financial statements.

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

As at 31 December 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 or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO to be entered 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

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

Name of Director	Capacity/Nature of Interest	Number of Shares held (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%

Notes:

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

(2) These Shares 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, 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.

(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 31 December 2017.

* *For identification purposes only*

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

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.

Saved as disclosed above and disclosed under the paragraph headed "Share Options" in this report, as at 31 December 2017, none of the Directors and chief executive of the Company had or was deemed to have 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 to (i) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (ii) or 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the note 40 to the consolidated financial statements and in the paragraph headed "Related Party Transactions" in this report, no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

As at 31 December 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PERMITTED INDEMNITY

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

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

As at 31 December 2017, so far as is known to any Directors or chief executive of the Company, the following persons (other than (a) Director(s) or chief executive 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%
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%

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)*
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%

Notes:

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

(2) These Shares are held directly by Tempus Hong Kong, which is wholly owned by Tempus Value Chain. Tempus Value Chain is wholly owned by 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 held by Tempus Hong Kong. As at the date of this report, Tempus Hong Kong held 232,104,800 Shares, 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 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 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 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 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 at the conversion price of HK$2.3 per Share (subject to adjustment).

(7) Based on a total of 349,876,800 issued Shares as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme 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. The Directors may, at their absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for Shares:

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

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

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

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

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

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

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

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

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

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

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

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

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 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.

SHARE OPTIONS

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

					Number of Share Options					
Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Outstanding as at 1 January 2017	Granted during the year ended 31 December 2017	Exercised during the year ended 31 December 2017	Lapsed during the year ended 31 December 2017	Cancelled during the year ended 31 December 2017	Outstanding as at 31 December 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
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
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
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
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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of Share Options: Outstanding as at 1 January 2017	Granted during the year ended 31 December 2017	Exercised during the year ended 31 December 2017	Lapsed during the year ended 31 December 2017	Cancelled during the year ended 31 December 2017	Outstanding as at 31 December 2017
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
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	–	(150,000)	–	1,312,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	–	4,386,000	–	(450,000)	–	3,936,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	–	4,386,000	–	(450,000)	–	3,936,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	–	4,386,000	–	(450,000)	–	3,936,000
Total					5,000,000	23,420,000	–	(2,050,000)	–	26,370,000

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 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 42 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CONNECTED TRANSACTIONS

Acquisition of 61.75% equity interest of 深圳市騰邦價值鏈股份有限公司 (Shenzhen Tempus Value Chain Co., Ltd.*)

On 26 May 2017, the Company conditionally acquired 61.75% equity interest of 深圳市騰邦價值鏈股份有限公司 (Shenzhen Tempus Value Chain Co., Ltd.*) from 騰邦物流集團股份有限公司 (Tempus Logistics Group Holding Ltd.*), which is a substantial shareholder and a connected person of the Company, for a cash consideration of RMB48,165,000. The transaction constituted a connected and major transaction of the Company and was subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. A circular containing all relevant information under the requirements of the Listing Rules was despatched to the Shareholders on 23 June 2017 and the underlying transaction was approved by the independent Shareholders on 14 July 2017. The transaction was completed on 30 November 2017. The purpose of the transaction is to (i) enhance the service capability and industrial distribution of the Company in the field of commercial commodity circulation; (ii) enhance the ability to acquire resources for premium commodity circulation to provide supports for the development of cross-border commercial and trading businesses; and (iii) achieve synergetic development with the current logistics business and further improve the industrial distribution of the Company. For details of the transaction, please refer to Company's announcements dated 26 May 2017, 14 July 2017 and 30 November 2017 and circular dated 23 June 2017.

Participation in TBRJ Fund I L.P. as a common limited partner

On 12 December 2017, the Company participated in TBRJ Fund I L.P. (the "**Fund**"), a Cayman Islands exempted limited partnership, as a common limited partner for a capital commitment of US$3,580,000 (equivalent to approximately HK$27,924,000). The general partner of the Fund is TBRJ Asset Management Limited ("**TBRJ**"), a Cayman Islands exempted company, which the Company indirectly holds 45% of the interest. Upon entering into the limited partnership agreement, TBRJ was negotiating a potential investment (the "**Relevant Project**"), for which a term sheet has been signed amongst TBRJ, 騰邦集團有限公司 (Tempus Group Co., Ltd.*, that is, the controlling shareholder of the Company) (the "**Tempus Group**") and an independent third party. If the Fund eventually invests in the Relevant Project, the Company's indirect investment in the project through the Fund may have potential connected transaction implications under the Listing Rules by way of co-investment with Tempus Group. As a good corporate governance practice, the Company seeks to comply with relevant requirements under Chapter 14A of the Listing Rules upon entering into the Fund's limited partnership agreement. Based on the Company's total capital commitment under the agreement, one or more of the relevant percentage ratios are more than 0.1% but are all below 5%, and the transaction is exempt from independent Shareholders' approval requirement but subject to announcement and reporting requirements under Chapter 14A of the Listing Rules. The Fund subsequently invested in the Relevant Project. The purpose of the investment in the Fund was to capture and participate in potential investment opportunities in relation to high-quality business worldwide, leveraging on the investment expertise of the TBRJ. For details of the transaction, please refer to Company's announcement dated 12 December 2017.

CONTINUING CONNECTED TRANSACTIONS

Tenancy agreements

On 1 March 2017, KK VII (BVI) Limited, an indirect wholly owned subsidiary of the Company, as landlord entered into a tenancy agreement (the "**Tenancy Agreement I**") with Tempus Assets (Hong Kong) Limited as tenant in relation to the leasing of a property for a term of three years commencing on 2 March 2017 at a monthly rent of HK$359,600. The property is located at the 28th floor, No.9 Des Voeux Road West, Hong Kong. On 19 October 2017, due to the business needs of the Company, KK VII (BVI) Limited and Tempus Assets (Hong Kong) Limited entered into a supplemental tenancy agreement to amend the Tenancy Agreement I to, among other things, reduce the lettable area to Tempus Assets (Hong Kong) Limited from 7,192 square feet to approximately 3,596 square feet and revised the monthly rent from HK$359,600 per month to HK$197,780 per month (including management fees, government rent and government rates but excluding other outgoing charges and expense). All other terms and conditions of the Tenancy Agreement I remain unchanged and are in full force and effect.

On 1 March 2017, KK VIII (BVI) Limited, an indirect wholly owned subsidiary of the Company, as landlord entered into a tenancy agreement (the "**Tenancy Agreement II**") with 騰邦物流股份有限公司 (Tempus Logistics Holding Limited*) (formerly known as 深圳市騰邦物流股份有限公司 (Shenzhen Tempus Logistics Holding Limited*)) ("**Tempus Logistics**") for a term of three years commencing on 2 March 2017 at a monthly rent of HK$471,025.

The reasons for entering into the above tenancy agreements were (i) to ensure stable income from leasing the above properties; and (ii) to better utilise idle assets before the expiry of the lease of the Company's current principal place of business in Hong Kong.

The Company expected that during the term of the above tenancy agreements, the aggregate annual caps of rental income would be as follows:

	From 2 March 2017 to 1 March 2018 (HK$)	**From 2 March 2018 to 1 March 2019 (HK$)**	**From 2 March 2019 to 1 March 2020 (HK$)**
Tenancy Agreement I (as revised by its supplementary agreement dated 19 October 2017)	3,800,000	2,950,000	2,950,000
Tenancy Agreement II	5,750,000	5,750,000	5,750,000
Aggregate annual caps	9,550,000	8,700,000	8,700,000

Tempus Assets (Hong Kong) Limited is indirectly owned as to 67% by Mr Zhong Baisheng ("**Mr Zhong**"), non-executive Director and substantial shareholder of the Company, and regarded as an associate of Mr. Zhong and hence a connected person of the Company. Tempus Logistics, being a substantial shareholder of the Company, is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, both Tenancy Agreement I (as revised by its supplementary agreement dated 19 October 2017) and Tenancy Agreement II (the "**Tenancy Agreements**") and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Tenancy Agreements and the transactions contemplated thereunder, on an aggregated basis, is more than 0.1% but less than 5%, the entering into of the Tenancy Agreements is subject to the reporting, announcement and annual review requirements but is exempt from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Logistics and warehousing services agreement

On 18 October 2016, OTO (BVI) Investment Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with an independent third party, pursuant to which OTO (BVI) Investment Limited (i) conditionally agreed to acquire 35% of the equity interest of Tempus Sky Enterprises Limited ("**Tempus Sky**") and (ii) conditionally agreed to subscribe for approximately 25.4% of the enlarged equity interest of Tempus Sky, at an aggregate consideration of HK$10,350,000 (the "**Acquisition**"). Immediately after the completion of the Acquisition, Sky Logistics & Supply Chain Limited ("**Sky Logistics**"), wholly owned by Tempus Sky, has become an indirect non wholly owned subsidiary of the Company. Prior to the completion of the Acquisition, Sky Logistics had entered into a logistics and warehousing services agreement (the "**Service Agreement**") with Tempus Logistics, a substantial shareholder of the Company, and the transactions contemplated under it constituted continuing transactions. These continuing transactions had become continuing connected transactions of the Company under Chapter 14A of the Listing Rules following the completion of the Acquisition.

Pursuant to the Service Agreement, the services provided by Sky Logistics to Tempus Logistics include, among others, (i) warehousing, loading and unloading, and storage management services and a designated area with gross floor area of 1,000 square metres (with usable area of not less than 700 square metres) in its constant temperature warehouse located at Block B, 4th Floor, Pak Sik Warehouse No. 1, 12-36 Wo Heung Street, Fo Tan, the New Territories, Hong Kong to Tempus Logistics for storage purposes; and (ii) transportation of merchandise to locations in Hong Kong designated by Tempus Logistics. The Service Agreement was for an initial term of one year from 1 April 2014 to 31 March 2015. Upon expiry, it was renewed for a term of one year expired on 31 March 2016 and another year expired on 31 March 2017, and has been further renewed on 5 April 2017 for a term of one year expiring on 31 March 2018.

The fees for the provision of the services under the Service Agreement are determined based on the prevailing market prices of the services provided by Sky Logistics to its other customers. Basic monthly storage fee shall be settled prior to the commencement of each month during the current term and fees for warehousing management, loading and unloading, delivery and extra storage space shall be settled within 30 days after the issue of invoice in the subsequent month in line with the credit policy of Sky Logistics extended to its other customers.

The entering into of the Service Agreement will (i) enhance the customer base of Sky Logistics in the field of domestic logistics and warehousing management services; and (ii) generate stable income by providing monthly storage services.

The Company expected that during the current term of the Service Agreement, the proposed annual caps would be as follows:

Current term	Estimated cap for basic monthly storage services (HK$)	Estimated cap for other logistics and warehousing services (HK$)	Proposed annual cap (HK$)
1 April 2017 — 31 December 2017	1,512,000	4,488,000	6,000,000
1 January 2018 — 31 March 2018	504,000	1,496,000	2,000,000

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements as the Group continues to conduct the transactions under the Service Agreement, and to comply with all connected transactions requirements under Chapter 14A of the Listing Rules if the Service Agreement is renewed or its terms are varied. The provision of services by Sky Logistics to Tempus Logistics under the Service Agreement during the current term from 1 April 2017 to 31 March 2018 was subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, as the highest applicable percentage ratio is more than 0.1% but less than 5%.

The Directors (including the independent non-executive Directors) had reviewed the above continuing connected transactions in relation to the Tenancy Agreements and the Service Agreement and confirmed that those continuing connected transactions had been entered into in the ordinary and usual course of business, on normal commercial terms and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with "Hong Kong Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter to the Board containing its findings and unqualified conclusions in respect of the continuing connected transactions of the Group set out in the above in accordance with the Listing Rules 14A.56. The auditor concluded that nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iv) have exceeded the cap.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 40 to the consolidated financial statements. Those transactions comprise two continuing connected transactions which have been properly disclosed pursuant to Chapter 14A of the Listing Rules. The Board confirmed that during the year and up to the date of this report, the Company had complied with the disclosure requirement under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

During the year, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects. The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely enhancing environmental sustainability. For further details, please refer to pages 23 to 35 of this report.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

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

The Group also aims to provide competitive and attractive remuneration packages to retain the employees. Management reviews annually the remuneration package offered to employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, the Group adopted the Share Option Scheme. Information about the scheme is set out in the paragraph headed "Share Option Scheme" in the Directors' Report. For further details, please refer to pages 48 to 51 of this report.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values the relationship with customers, as well as their feedback and opinions. In order to respond quickly to customer requirements, the Group has established a team consisting of skilled engineers and technicians to provide customers with high-quality and efficient after-sales service. In addition, the Group also collects and stores customers' opinions and suggestions on products via customer relationship management system to assist the design and development of products and perfect the quality management and services. During the year, the Group considered the relationship with customers was satisfactory. For further details, please refer to pages 32 to 33 of this report.

The Group's suppliers are mainly external manufacturers, and warehousing and logistics providers. The Group outsources the manufacturing of health and wellness products to third-party external manufacturers. The Group implements measures in selecting suppliers and conducts regular inspection and evaluation on existing external manufacturers. During the year, the Group considered the relationship with suppliers was well and stable. For further details, please refer to pages 32 to 33 of this report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 12 October 2017, the Company, Yundongli Electronic Commerce Company Limited* 雲動力(天津)電子商務有限公司 ("**Yundongli**")) and independent third parties ("**YDL Vendors**") entered into an agreement, pursuant to which (i) YDL Vendors have conditionally agreed to transfer, and the Company has conditionally agreed to purchase or to procure its nominee to purchase, the registered capital of RMB1,000,000 of Yundongli, representing 8.0% of the enlarged equity interest of Yundongli upon the completion of subscription as mentioned below, at a consideration of RMB40,000,000; and (ii) the Company has conditionally agreed to subscribe for RMB500,000 new registered capital to be issued by Yundongli, representing 4.0% of the enlarged equity interest of Yundongli, at a consideration of RMB20,000,000. Yundongli is principally engaged in the business of online trading on third party online platforms. Deposit of RMB30,000,000 (equivalent to approximately HK$36,023,000) has been paid as at 31 December 2017. The transaction was completed on 16 January 2018. Upon completion of the transaction, the Company holds 12.0% of the enlarged equity interest of Yundongli and is accounted for as an associate of the Company as the Company has a right to appoint one director out of seven directors in the board of directors of Yundongli.

Details of the transaction are set out in the announcements published by the Company dated 12 October 2017 and 16 January 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year. The Corporate Governance Report is set out on pages 59 to 69 of this report.

AUDIT COMMITTEE

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

AUDITOR

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

* *For identification purposes only*

By order of the Board
Zhong Baisheng
Chairman and Non-executive Director

Hong Kong, 7 March 2018

CORPORATE GOVERNANCE PRACTICE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (including amendments as effected from time to time) 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 year.

BOARD OF DIRECTORS

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

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

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

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

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

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

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

DIRECTORS' ATTENDANCE RECORDS

Nine Board meetings were held during the year under review.

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

	Number of meetings attended/Eligible to attend during the year			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr Li Dongming	9/9			
Mr Huang Jingkai	6/9	—	—	—
Mr Yip Chee Lai, Charlie	6/9	—	—	—
Non-executive Directors				
Mr Zhong Baisheng	5/9	—	—	—
Ms Zhang Yan	8/9	—	—	—
Independent non-executive Directors				
Mr Han Biao	9/9	2/2	4/4	1/1
Mr Wong Lit Chor, Alexis	9/9	2/2	4/4	1/1
Mr Li Qi	8/9	2/2	4/4	1/1

BOARD MEETINGS

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

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

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

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

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

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

DIRECTORS' ATTENDANCE AT GENERAL MEETING

During the year under review, the Company held an annual general meeting on 26 May 2017 (the "**2017 AGM**"). The attendance of each Director is set out in the table below.

	2017 AGM
Executive Directors	
Mr Li Dongming (Chief executive officer) *(Note)*	√
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	√

Note:

Mr Li Dongming was appointed as an authorised representative of the Company with effect from 13 January 2017.

Remarks:

√ represents attendance × represents absence

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 2017 AGM due to other business engagement. However, another executive Director, who was present at the 2017 AGM, 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.

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

BOARD COMMITTEES

Audit Committee

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

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

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

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

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

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

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

i. reviewed the annual results of the Group for the year ended 31 December 2016;

ii. reviewed the interim results of the Group for the six months ended 30 June 2017; and

iii. reviewed the financial status and performance, internal control and risk management systems of the Group for the year ended 31 December 2016 and six months ended 30 June 2017.

Remuneration Committee

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

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

All Directors do not participate in determining their own remuneration.

Details of the Directors' remuneration for the year ended 31 December 2017 are set out in note 12 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policy" section contained in the Management Discussion and Analysis on page 20 of this report.

Four meetings of the Remuneration Committee were held during the year.

Nomination Committee

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

The primary duties of the Nomination Committee include:

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

ii. to identify suitable candidates for appointment as Directors;

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

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

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

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

Executive Committee

The Company has set up the Executive Committee which is responsible for implementing the corporate strategy, monitoring the business performances and exercising the powers and authority delegated by the Board. It comprises three executive Directors, namely Mr Li Dongming, Mr Huang Jingkai and Mr Yip Chee Lai, Charlie. Meeting of the Executive Committee is held when the executive Directors consider necessary. Several senior management members are also invited to participate in the meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

CORPORATE GOVERNANCE

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

FINANCIAL REPORTING

Directors' Responsibility on the Financial Statements

The Directors acknowledge their responsibility for preparing, with the support from the finance and accounting department of the Group, the financial statements of the Company and the Group and are responsible for overseeing the preparation of financial statements for the year ended 31 December 2017 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the year. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

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

A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 74 to 79 of this report.

Independent Auditor's Remuneration

During the year, the Group was charged HK$2,420,000 for auditing services and approximately HK$510,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

	Fee paid/payable HK$'000
Annual audit services	2,420
Other services:	
Report on the continuing connected transactions	80
Review of interim results	430
Total	2,930

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

RISK MANAGEMENTS AND INTERNAL CONTROL

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

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

Risk Management

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

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

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

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

Internal Controls

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

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

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

INSIDE INFORMATION

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

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

COMPANY SECRETARY

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The hotline of the Company is +852 2543-6880, and its fax number is +852 2466-6880, through which the Company makes replies to the written or direct enquiries regarding all kinds of matters by Shareholders and investors.

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

Procedures for Shareholders to convene an Extraordinary General Meeting

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

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "**EGM**") to be called by the Board for the transaction of any business specified in such requisition.
- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 28/F, 9 Des Voeux Road West, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Shareholders.

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

Procedures for Shareholders to put forward proposals at Shareholders' meetings

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

Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at 28/F, 9 Des Voeux Road West, Hong Kong by post or by fax to +852 2466-6880 for the attention of the company secretary of the Company. Upon receipt of the enquiries, the company secretary of the Company will forward:

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

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Li Dongming ("Mr. Li"), aged 43, is the executive Director, chief executive officer of the Company. Mr. Li is responsible for formulating and executing the business strategy and overall management of the Group. Mr. Li has extensive experience in the areas of capital markets, finance, asset management, etc. Prior to the present appointment, Mr. Li served as a general manager of Shenzhen Harmony Investment Funds Co., Ltd.* (深圳市同心投資基金股份公司) from May 2013 to October 2016. From August 2010 to May 2013, he was a general manager of a subsidiary and the Department of Planning and Cooperation of the China Development Bank Capital Co., Ltd.* (國開金融有限責任公司). From February 2008 to August 2010, he was an executive president of Beijing Xinheng Investment Management Co., Ltd.* (北京鑫恒投資管理有限公司). Mr. Li previously assumed certain managerial positions in several state owned financial institutions. Mr. Li served as an independent non-executive director of Shenzhen Centralcon Investment Holding Co., Ltd.* (深圳市中洲投資控股股份有限公司) (000042.SZ) from October 2013 to June 2017 and a director of Guangdong Fuyuan Technology Co., Ltd.* (廣東富源科技股份有限公司) (a National Equities Exchange and Quotations listed company, stock code: 834315) from June 2015 to September 2017. He was also an independent non-executive director of Tempus Global Business Service Group Holding Ltd.* (騰邦國際商業服務集團股份有限公司) (300178.SZ) from November 2014 to October 2016. Mr. Li graduated from Shandong University of Finance and Economics with a bachelor's degree majoring in planning and statistics in 1996. He obtained a master and a doctoral degree from the Department of National Economic Management of Renmin University of China in 1999 and 2006, respectively.

Mr. Huang Jingkai ("Mr. Huang"), aged 35, is the executive Director, vice-chairman of the Company. He is also the supervisor of 騰邦集團有限公司 (Tempus Group Co., Ltd.*) ("**Tempus Group**"). Mr. Huang obtained the legal professional qualification certificate from the Ministry of Justice of the PRC. He has the qualification certificate of secretary of board of directors issued by the Shenzhen Stock Exchange. He obtained Bachelor of Arts and Bachelor of Laws. Mr. Huang is also a graduate of the senior business administration seminar of the University of Tsinghua of the PRC. Mr. Huang is a member of the 7th standing committee of the People's Congress of the Futian District of Shenzhen* (深圳市福田區第七屆人民代表大會常務委員會委員).

Mr. Yip Chee Lai, Charlie ("Mr. Charlie Yip"), aged 58, is the executive Director, vice president of the Company. Mr. Charlie Yip participates the Group's general management and is particularly responsible for the product research and development, marketing and customer service of the Group and Hong Kong and Macau Market. Mr. Charlie Yip received education to GCE Advance Level in Singapore in 1979. He has been contributing to the growth of "OTO" brand business and brand development for more than 40 years. Mr. Charlie Yip is a member of the Hong Kong Institute of Directors.

NON-EXECUTIVE DIRECTORS

Mr. Zhong Baisheng ("Mr. Zhong"), aged 53, is the chairman and non-executive Director of the Company. Mr. Zhong is responsible for leadership of the Board and strategic planning of the Group. Mr. Zhong is the founder and chairman of Tempus Group and the chairman of the 騰邦國際商業服務集團股份有限公司(Tempus Global Business Service Group Holding Ltd.*) ("**Tempus Global**") which is a joint stock company incorporated in the PRC with limited liability with its A shares listed on the Shenzhen Stock Exchange (stock code: 300178). Mr. Zhong is a member of the 12th committee of the Chinese People's Political Consultative Conference of Guangdong Province (中國人民政治協商會議廣東省第十二屆委員會委員) and a member of the 6th standing committee of the Chinese People's Political Consultative Committee of Shenzhen City of Guangdong Province* (中國人民政治協商會議廣東省深圳市第六屆常務委員會委員).

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Biao ("Mr. Han"), aged 54, is the independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee. Mr. Han is the Professor and mentor for Doctor of Philosophy degree candidate of the School of Economics of the University of Shenzhen of the PRC. He was an independent director of Tempus Global from April 2011 to April 2014. He was an independent director of Shenzhen Airport Co. Limited* (深圳市機場股份有限公司) from 2004 to 2008 and an independent director of Shenzhen Heungkong Holding Co., Ltd* (深圳香江控股股份有限公司) from 2004 to 2007. Mr. Han is a member of the standing committee of the Chinese Association of Quantitative Economics. Mr. Han obtained his Doctor of Economics from the Northern Jiaotong University of the PRC, his Master of Engineering from Xian Highway Institute* (西安公路學院) of the PRC and his Bachelor of Engineering from Xian Highway Institute* (西安公路學院) of the PRC.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 59, is the independent non-executive Director, the chairman of the Audit committee and a member of the Nomination Committee and the Remuneration Committee. Mr.Wong is the deputy chief executive officer of a Main Board listed company which is engaged in the hospitality and property investment businesses. Mr. Wong has over 35 years of banking, investment, corporate finance and securities dealing experience gained from working as a senior executive in a number of listed local and PRC financial services companies. He has been serving as an INED and the chairman of the audit committee of Inspur International Limited (0596.HK) since March 2003 and an INED of China Fortune Holdings Limited (0110.HK) from September 2006 to October 2017. Mr. Wong graduated from the University of Toronto, Canada in 1981 with a Bachelor's degree in Arts majoring in Economics and Commerce. In 1987, he obtained a Master of Business Administration degree from The Chinese University of Hong Kong.

Mr. Li Qi ("Mr. Li"), aged 62, is the independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Li is a doctor of economics, a professor in E-commerce of Xi'an Jiaotong University and a doctoral tutor. He is the director of the E-Commerce Institute of Xi'an Jiaotong University* (西安交通大學電子商務研究所). Mr. Li was the vice chairman of the Steering Committee of Professional E-commerce Education of Colleges and Universities* (國家教育部高等學校電子商務專業教學指導委員會) under the Ministry of Education from 2006 to 2010 and from 2013 to 2017. He was the deputy dean of School of Economics and Finance of Xi'an Jiaotong University. He is a member of the Discipline Development and Major Setting Experts Committee* (國家教育部學科發展與專業設置專家委員會) under the Ministry of Education from 2006 to 2010. He was also a member of the E-commerce Experts Consultative Committee* (國家商務部電子商務專家諮詢委員會) under the Ministry of Commerce from 2012 to 2015 and a member of the Shaanxi Decision marking and Advisory Committee* (陝西省決策諮詢委員會) from 2014. Mr. Li is the director of the Shaanxi Key Laboratory of E-Commerce and E-Government* (陝西省電子商務與電子政務重點實驗室) and the director of the National Joint Laboratory for all colleges and universities* (全國高校電子商務與電子政務聯合實驗室). Mr. Li was conferred the honorary title "Top Teacher* (教學名師)" by the Xi'an Jiaotong University in 2007. He was awarded the Honorary Memorial Award for Top One Hundred Figures of a decade in China E-commerce (中國電子商務十年百人榮譽紀念獎) by the Internet Society of China in 2008 and the Outstanding Contribution Award in 10 Years' Development of China E-commerce (中國電子商務十年發展突出貢獻獎) by China Electronic Commerce Association in 2009 and won the Second prize of National Teaching Achievement Prize* (國家級教學成果二等獎) in 2009. The Research of Enterprise E-commerce Development in Zhengzhou* (鄭州市企業電子商務發展研究) under the charge of Mr. Li was awarded "Outstanding Decision-making Research Achievement* (決策研究優秀成果)" by the People's Government of Zhengzhou in 2010. He was also awarded "Outstanding Science Researcher in Humanities and Social Sciences* (人文社會科學優秀科研工作者)" by Xi'an Jiaotong University in 2010.

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

SENIOR MANAGEMENT

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

Mr. Yeung Wing Piu ("Mr. Yeung"), aged 55, joined the Company as the vice president in June 2017. Before joining the Company, Mr. Yeung took different senior positions across various countries in American International Group ("AIG"). He started his career with AIG in 1998, he has taken several roles which include the training and human resources role of South East Asia Regional, management role in the cooperation with The People's Insurance Company of China ("PICC"), the Head of Distribution in China as well as General Manager of Shanghai branch. He spent over 16 years with AIG in total. Mr. Yeung also took the Chief Distribution Officer and General Manager role of the Life Insurance Joint Venture between Fosun and Pramerica between 2012 and 2013. He was the General Manager of AIG Business Consulting (Beijing) Co., Ltd before taking his current position with the Company. Mr. Yeung served in the banking industry in both Hong Kong and Australia for over 15 years before he embarked his career with AIG. He holds a Master Degree in Business Administration from Asia International Open University (Macau).

Mr. Liu Yangjun ("Mr. Liu"), aged 47, is the vice president of the Company and is responsible for the overall management of the Company's logistics business. Mr. Liu has been in the logistics industry for more than 20 years. He worked for Jardine Logistics for eight years and joined the Tempus Group in 2005. He has extensive operational management experience in the field of logistics, bonded trade, and import and export trade.

Ms. Lu Shan ("Ms. Lu"), aged 35, is the vice president and legal director of the Company since May 2017. Prior to joining the Company, Ms. Lu has more than ten years of experience in the legal profession in Asia and Europe, working for leading law firm, investment bank and multinational corporation. Ms. Lu obtained her Master of Laws from Copenhagen University of Denmark and Bachelor of Laws from Shenzhen University. Ms. Lu obtained the legal professional qualification certificate from the Ministry of Justice of the PRC.

Mr. Tam Ka Tung ("Mr. Tam"), aged 35, is the chief financial officer and company secretary of the Company. Mr. Tam is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and has extensive experience in accounting, auditing, financial management and corporate governance matters. He once served as group financial controller, company secretary and director of securities affairs of the Company. Mr. Tam received his bachelor degree in Accounting and Financial Management from the University of Hull (UK) and a master degree in Finance and Investment from the University of Nottingham (UK).

Mr. Liu Guanjia, aged 33, is the strategy controller of the Company since July 2015. Prior to joining the Company, Mr. Liu Guanjia has approximately five years of strategic consulting service experience in global business consulting service department in IBM China Company Limited, and subsequently worked as director of strategy in a mobile internet sector high and new technology enterprise which listed on the Nasdaq. Mr. Liu Guanjia obtained his Bachelor of Economics and Master of Management Science and Engineering from the School of Economics and Management of Beijing University of Posts and Telecommunications, and obtained the PMP certification (Project Management Professional Qualification Certification) awarded by Project Management Institute (PMI) in the United States in 2013.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Tempus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 80 to 183, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the judgements associated with the assessment of the recoverability of overdue trade receivables by the management. As disclosed in the note 26 to the consolidated financial statements, the trade receivables amounted to HK$177,856,000, out of which HK$48,063,000 were past due but not impaired as at 31 December 2017. As disclosed in note 5 to the consolidated financial statements, in determining the recoverability of overdue trade receivables, management judgements are required in assessing the ultimate realisation of these receivables, including the business relationship with customers and the past collection history of each customer.	Our procedures in relation to the assessment of recoverability of trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management; • Testing the ageing of trade receivables, on a sample basis, to the supporting documents and the credit term granted; • Discussing with the management on their assessment based on the business relationship with customers in relation to overdue trade receivables with/without settlement; and • Evaluating the management's assessment on the recoverability of trade receivables by examining, on a sample basis, the settlement history and the collection after the end of reporting period of these debtors.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the significant judgement and estimation required in determining their fair values. Investment properties of the Group mainly represent commercial properties. The fair value of investment properties amounted to HK$354,600,000 as at 31 December 2017, with the fair value gain of HK$40,846,000 recognised in the profit or loss for the year then ended. As disclosed in notes 5 and 17 to the consolidated financial statements, in estimating the fair value of investment properties, the Group engaged an independent qualified external valuers (the "Valuers") to perform the valuation and worked with the Valuers to establish inputs to the valuation. The fair value of investment properties was arrived at by using direct comparison method or income capitalisation method, where appropriate. The valuations are dependent on certain significant unobservable inputs that involve judgements, including reversion yields, adjusted unit sale rates and monthly market rents.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Obtaining an understanding of the valuation techniques and significant assumptions adopted by the management and the Valuers; • Evaluating the appropriateness of the valuation models and the judgements made by the management and the Valuers, in particular, the reversion yields based on our knowledge of the property market of the relevant locations; and • Checking the reasonableness of other significant unobservable inputs used by the Valuers in the valuation, in particular, the adjusted unit sale rates and monthly market rents, on a sample basis, against market data and entity specific information such as recent selling prices and rents.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017 HK$'000**	2016 HK$'000 (Restated)
Revenue	6	**834,288**	659,549
Cost of sales		**(535,844)**	(376,007)
Gross profit		**298,444**	283,542
Other income	7	**20,691**	8,154
Other gains and losses	8	**54,511**	(676)
Share of results of joint ventures	18	**(682)**	—
Share of results of associates	19	**(2)**	—
Selling and distribution expenses		**(224,564)**	(205,014)
Administrative expenses		**(88,495)**	(79,281)
Finance costs	9	**(18,581)**	(582)
Profit before tax	10	**41,322**	6,143
Income tax expense	11	**(9,822)**	(8,294)
Profit (loss) for the year		**31,500**	(2,151)
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**13,729**	(6,193)
Item that will not be reclassified to profit or loss:			
Revaluation increase upon transfer from property, plant and equipment to investment properties		**2,332**	—
		16,061	(6,193)
Total comprehensive income (expense) for the year		**47,561**	(8,344)
Profit (loss) for the year attributable to:			
Owners of the Company		**24,142**	(7,982)
Non-controlling interests		**7,358**	5,831
		31,500	(2,151)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**37,436**	(13,529)
Non-controlling interests		**10,125**	5,185
		47,561	(8,344)
Earnings (loss) per share	15		
Basic and diluted (HK$)		**0.07**	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)	1.1.2016 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**92,235**	278,484	25,420
Investment properties	17	**354,600**	10,254	10,254
Investments in joint ventures	18	**35,516**	—	—
Investments in associates	19	**1,838**	—	—
Available-for-sale investment	20	**27,924**	—	—
Deferred tax assets	21	**1,253**	1,253	1,258
Intangible assets	22	**3,046**	3,807	—
Goodwill	23	**2,657**	2,657	—
Utility and other deposits paid	24	**40,843**	9,773	7,586
		559,912	306,228	44,518
Current assets				
Inventories	25	**35,197**	38,560	35,225
Trade, bills and other receivables	26	**219,587**	122,532	90,687
Utility and other deposits paid	24	**18,784**	15,195	11,034
Deposit placed at an insurance company		**—**	—	3,247
Available-for-sale investment	20	**29,876**	—	—
Loans receivable	27	**39,000**	—	—
Amounts due from fellow subsidiaries	28	**556**	815	175
Amount due from an intermediate holding company		**—**	—	40,242
Tax recoverable		**1,143**	1,138	1,138
Pledged bank deposits	24	**9,678**	11,545	12,027
Bank balances and cash	24	**135,122**	232,431	430,093
		488,943	422,216	623,868
Current liabilities				
Trade and other payables	29	**124,685**	73,964	80,444
Amounts due to fellow subsidiaries	28	**1,054**	53	721
Amount due to an intermediate holding company	28	**—**	686	635
Obligations under finance leases	30	**2,239**	2,355	124
Tax payable		**10,109**	4,944	4,559
Bank borrowings	31	**74,180**	153,622	20,496
Convertible notes	32	**159,678**	—	—
Senior note	33	**100,451**	—	—
		472,396	235,624	106,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	**31.12.2017** **HK$'000**	31.12.2016 HK$'000 (Restated)	1.1.2016 HK$'000 (Restated)
Net current assets		**16,547**	186,592	516,889
Total assets less current liabilities		**576,459**	492,820	561,407
Non-current liabilities				
Obligations under finance leases	30	**3,146**	4,790	213
Bank borrowings	31	**75,139**	—	—
Amount due to an intermediate holding company	28	**15,332**	—	—
		93,617	4,790	213
Net assets		**482,842**	488,030	561,194
Capital and reserves				
Share capital	34	**27,279**	27,279	27,279
Reserves		**404,341**	419,069	480,366
Equity attributable to owners of the Company		**431,620**	446,348	507,645
Non-controlling interests		**51,222**	41,682	53,549
Total equity		**482,842**	488,030	561,194

The consolidated financial statements on pages 80 to 183 were approved and authorised for issue by the Board of Directors on 7 March 2018 and are signed on its behalf by:

Li Dongming
DIRECTOR

Huang Jingkai
DIRECTOR

For the year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 (note (a))	Property revaluation reserve HK$'000	Other reserve HK$'000 (note (e))	Statutory reserve HK$'000 (note (b))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (as originally stated)	27,279	363,811	32	960	(4,387)	(128,447)	—	—	1,730	160,218	421,196	—	421,196
Restatement (note 2)	—	—	—	—	(1,223)	—	—	48,269	5,076	34,327	86,449	53,549	139,998
At 1 January 2016 (restated)	27,279	363,811	32	960	(5,610)	(128,447)	—	48,269	6,806	194,545	507,645	53,549	561,194
(Loss) profit for the year	—	—	—	—	—	—	—	—	—	(7,982)	(7,982)	5,831	(2,151)
Other comprehensive expense for the year													
– exchange difference arising on translation	—	—	—	—	(5,547)	—	—	—	—	—	(5,547)	(646)	(6,193)
Total comprehensive (expense) income for the year	—	—	—	—	(5,547)	—	—	—	—	(7,982)	(13,529)	5,185	(8,344)
Recognition of equity-settled share-based payments	—	—	—	2,346	—	—	—	—	—	—	2,346	—	2,346
Adjustments arising from the business combination of entities under common control:													
– Capital contribution (note (c))	—	—	—	—	—	—	—	32,219	—	—	32,219	17,349	49,568
– Cash consideration paid (note (d))	—	—	—	—	—	—	—	(44,666)	—	—	(44,666)	(27,667)	(72,333)
– Dividends paid by SZ Tempus Value Chain (as defined in note 2) and a change in ownership in SZ Tempus Value Chain (as defined in note 2) without losing control of entities	—	—	—	—	—	—	—	—	—	(34,663)	(34,663)	(21,473)	(56,136)
Contribution from non-controlling interests and a change in ownership in SZ Tempus Value Chain (as defined in note 2) without losing control	—	—	—	—	—	—	—	—	—	600	600	11,078	11,678
Transfer upon forfeiture of share options	—	—	—	(85)	—	—	—	—	—	85	—	—	—
Acquisition of subsidiaries (note 35(ii))	—	—	—	—	—	—	—	—	—	—	—	3,661	3,661
Transfer to statutory reserve	—	—	—	—	—	—	—	—	2,359	(2,359)	—	—	—
Dividends paid (note 14)	—	(3,604)	—	—	—	—	—	—	—	—	(3,604)	—	(3,604)
At 31 December 2016 (restated)	27,279	360,207	32	3,221	(11,157)	(128,447)	—	35,822	9,165	150,226	446,348	41,682	488,030

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 (note (a))	Property revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000 (note (b))	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Profit for the year	—	—	—	—	—	—	—	—	—	24,142	24,142	7,358	31,500
Other comprehensive income for the year													
– exchange difference arising on translation	—	—	—	—	10,962	—	—	—	—	—	10,962	2,767	13,729
– revaluation increase upon transfer of property, plant and equipment to investment properties	—	—	—	—	—	—	2,332	—	—	—	2,332	—	2,332
	—	—	—	—	10,962	—	2,332	—	—	—	13,294	2,767	16,061
Total comprehensive income for the year	—	—	—	—	10,962	—	2,332	—	—	24,142	37,436	10,125	47,561
Recognition of equity-settled share-based payments	—	—	—	5,399	—	—	—	—	—	—	5,399	—	5,399
Adjustments arising from business combination of entities under common control													
– Cash consideration paid (note 2)	—	—	—	—	—	—	—	(56,618)	—	—	(56,618)	—	(56,618)
– Dividends paid by SZ Tempus Value Chain (as defined in note 2)	—	—	—	—	—	—	—	—	—	(945)	(945)	(585)	(1,530)
Transfer upon forfeiture of share options	—	—	—	(683)	—	—	—	—	—	683	—	—	—
Transfer to statutory reserve	—	—	—	—	—	—	—	—	2,465	(2,465)	—	—	—
At 31 December 2017	27,279	360,207	32	7,937	(195)	(128,447)	2,332	(20,796)	11,630	171,641	431,620	51,222	482,842

Notes:

(a) Capital reserve mainly represented the difference between the aggregate share capital of the subsidiaries acquired by the Company and the Company's investment cost in a subsidiary, OTO (BVI) Investment Limited ("OTO BVI") upon the group reorganisation on 13 April 2011.

(b) Pursuant to the relevant People's Republic of China (the "PRC") regulations and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to transfer not less than 10% of their post-tax profit to statutory reserves as reserve funds until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.

(c) On 4 June 2016, a total of RMB42,000,000 (approximately HK$49,568,000) had been injected by existing shareholders of SZ Tempus Value Chain (as defined in note 2).

(d) On 27 April 2016 and 13 May 2016, 100% equity interest of 深圳前海騰邦價值鏈有限公司 ("Qianhai Tengbang") and 90% equity interest of 上海騰邦供應鏈有限公司 ("Shanghai Tengbang") were acquired by SZ Tempus Value Chain (as defined in note 2) from 騰邦物流集團股份有限公司 ("Tempus Logistics") for a consideration of RMB50,002,000 (approximately HK$61,799,000) and RMB8,424,000 (approximately HK$10,534,000), respectively. Immediately prior to and after the acquisition, Qianhai Tengbang, Shanghai Tengbang and SZ Tempus Value Chain (as defined in note 2) were under the common control of Tempus Logistics. Details are set out in note 2(b).

(e) Other reserve at 1 January 2016 comprised the issued capital of SZ Tempus Value Chain (as defined in note 2), Qianhai Tengbang and Shanghai Tengbang attributable to the owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**41,322**	6,143
Adjustments for:		
Amortisation of intangible assets	**761**	—
Depreciation of property, plant and equipment	**13,379**	11,594
Finance costs	**18,581**	582
Share of results of joint ventures	**682**	—
Share of results of associates	**2**	—
Gain on fair value change of derivatives embedded in convertible notes	**(9,462)**	—
Gain on fair value change of investment properties	**(40,846)**	—
Gain on disposal of property, plant and equipment	**(329)**	—
Loss on write-off of property, plant and equipment	**384**	48
Share-based payment expenses	**5,399**	2,346
Bank interest income	**(4,230)**	(2,938)
Interest income on loans receivable	**(2,230)**	—
Operating cash flows before movements in working capital	**23,413**	17,775
Decrease (increase) in inventories	**5,498**	(5,312)
Increase in trade, bills and other receivables	**(86,376)**	(23,710)
Decrease (increase) in utility and other deposits paid	**2,410**	(3,194)
Decrease (increase) in amounts due from fellow subsidiaries	**259**	(640)
Increase (decrease) in trade and other payables	**32,508**	(13,929)
Increase (decrease) in amounts due to fellow subsidiaries	**1,001**	(668)
Cash used in operations	**(21,287)**	(29,678)
Income taxes paid	**(4,023)**	(7,674)
NET CASH USED IN OPERATING ACTIVITIES	**(25,310)**	(37,352)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months		**(4,045)**	(7,000)
Withdrawal of bank deposits with original maturity over three months		**7,000**	140,000
Net cash outflow from acquisition of business	35(ii)	**—**	(5,876)
Net cash outflow from acquisition of assets through acquisition of subsidiaries	35(i)	**(118,121)**	(249,747)
Investment in joint ventures		**(36,198)**	—
Investment in associates		**(1,840)**	—
Purchases of available-for-sale investment		**(27,781)**	—
Deposit paid for the acquisition of an associate	47	**(36,023)**	—
Deposit received in respect of disposal of available-for-sale investment	20	**12,008**	—
Advances of loans		**(67,749)**	—
Bank interest received		**4,230**	2,938
Additions of property, plant and equipment		**(7,207)**	(8,149)
Proceeds from disposal of property, plant and equipment		**766**	—
Advance to an intermediate holding company		**—**	(5,408)
Repayment from an intermediate holding company		**—**	45,650
Withdrawal of deposit placed at an insurance company upon maturity		**—**	3,247
Decrease in pledged bank deposits		**1,867**	482
NET CASH USED IN INVESTING ACTIVITIES		**(273,093)**	(83,863)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000 (Restated)
FINANCING ACTIVITIES			
Dividends paid	14	—	(3,604)
Dividend paid by SZ Tempus Value Chain as defined in note 2		**(1,530)**	(56,136)
Repayments of obligations under finance leases		**(3,090)**	(516)
Interest paid		**(7,898)**	(582)
Payment for the acquisition of entities under common control		**(41,286)**	(72,333)
Proceeds from issue of convertible notes		**160,000**	—
Proceeds from issue of a senior note		**100,000**	—
Transaction costs paid for issue of a senior note		**(708)**	—
Contribution from non-controlling interests		—	11,678
Advance from an intermediate holding company		—	51
Repayment to an intermediate holding company		**(686)**	—
Repayments of bank borrowings		**(50,177)**	(56,944)
New bank borrowings raised		**45,874**	187,095
Capital contribution to SZ Tempus Value Chain as defined in note 2		—	49,568
NET CASH FROM FINANCING ACTIVITIES		**200,499**	58,277
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(97,904)**	(62,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**225,431**	290,093
Effect of foreign exchange rate changes		**3,550**	(1,724)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**131,077**	225,431
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**135,122**	232,431
Bank deposits with original maturity over three months		**(4,045)**	(7,000)
		131,077	225,431

1. GENERAL

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

The immediate holding company of the Company is Tempus Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and the ultimate holding company of the Company is Tempus Group Co., Ltd., a company established in the PRC. The ultimate controlling party is Mr. Zhong Baisheng, the chairman and non-executive director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 - 1111, Cayman Islands and its principal place of business is located on 28th Floor, No. 9 Des Voeux West, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 44. The Company and its subsidiaries are collectively referred to as the "Group".

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

2. BASIS OF PREPARATION

Merger accounting and restatements

(a) *Acquisition of Shenzhen Tempus Value Chain Co., Ltd. (the "SZ Tempus Value Chain") by the Company*

On 26 May 2017, Tempus Logistics Group Holding Ltd ("Tempus Logistics"), a company established in the PRC and an intermediate holding company of the Company which indirectly holds approximately 66.3% of the total issued shares of the Company, entered into a sale and purchase agreement, to transfer its entire 61.75% interest in SZ Tempus Value Chain and its subsidiaries (collectively referred to as the "SZ Tempus Value Chain Group") to the Company for a consideration of RMB48,165,000 (equivalent to HK$56,618,000) (the "Acquisition"). Details of the Acquisition was set out in the circular of the Company dated on 23 June 2017. SZ Tempus Value Chain is a company established in the PRC and the SZ Tempus Value Chain Group is engaged in provision of supply chain solution including logistics, storage, and other ancillary services. The Acquisition was completed on 30 November 2017. During the year ended 31 December 2017, out of the total consideration, RMB34,817,000 (equivalent to HK$41,286,000) was satisfied by cash.

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

(b) *Acquisition of entities by SZ Tempus Value Chain*

During the year ended 31 December 2016, SZ Tempus Value Chain acquired 100% equity interests of Qianhai Tengbang and the remaining 90% equity interests of Shanghai Tengbang, of which 10% equity interests in Shenzhen Tengbang have been already held by SZ Tempus Value Chain, at a cash consideration of RMB50,002,000 (equivalent to HK$61,799,000) and RMB8,424,000 (equivalent to HK$10,534,000), respectively, from its immediate holding company, Tempus Logistics. Upon the completion of the acquisitions of Qianhai Tengbang and Shanghai Tengbang on 27 April 2016 and 31 May 2016, respectively, Qianhai Tengbang and Shanghai Tengbang became the wholly-owned subsidiaries of SZ Tempus Value Chain.

The Group, the SZ Tempus Value Chain Group, Qianhai Tengbang and Shanghai Tengbang are all under the common control of Tempus Logistics before and after the respective dates of acquisitions, and that control is not transitory. The Group, the SZ Tempus Value Chain Group, Qianhai Tengbang and Shanghai Tengbang are regarded as continuing entities as at the date of business combinations and hence those Acquisitions have been accounted for as combinations of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the two years ended 31 December 2016 and 2017 include the results of operations, changes in equity and cash flows of SZ Tempus Value Chain Group, Qianhai Tengbang and Shanghai Tengbang as if the current group structure upon the completion of the group reorganisation had been in existence throughout the two years ended 31 December 2016 and 2017. The consolidated statements of financial position of the Group as at 1 January 2016 and 31 December 2016 have been restated to include the assets and liabilities of the companies comprising the SZ Tempus Value Chain Group, Qianhai Tengbang and Shanghai Tengbang as if current group structure had been in existence as at the respective dates.

In addition, after the above combinations, the directors of the Company are of the opinion that the presentation of the consolidated statement of profit or loss and other comprehensive income of the Group by function of expense is able to provide more relevant and reliable information to users of the consolidated financial statements of the Group compared to that by nature of expense adopted by the Group previously. Accordingly, apart from the restatement in applying AG 5 mentioned above, comparative figures in the consolidated statement of profit or loss and other comprehensive income have also been re-presented.

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

The effect of restatements on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 in applying AG 5 and change of presentation by line items is as follows:

	Year ended 31 December 2016 HK$'000 (Audited and originally stated)	Change of presentation of statement of profit or loss and other comprehensive income HK$'000	Business combination of entities under common control HK$'000	Year ended 31 December 2016 HK$'000 (Restated)
Revenue	471,735	—	187,814	659,549
Cost of sales	—	(224,675)	(151,332)	(376,007)
Gross profit	471,735	(224,675)	36,482	283,542
Other income	6,615	—	1,539	8,154
Other gains and losses	(655)	—	(21)	(676)
Change in inventories of finished goods	685	(685)	—	—
Finished goods purchased	(180,581)	180,581	—	—
Selling and distribution expenses	—	(193,441)	(11,573)	(205,014)
Administrative expenses	—	(74,153)	(5,128)	(79,281)
Staff costs	(113,326)	113,326	—	—
Depreciation expense	(11,098)	11,098	—	—
Finance costs	(438)	—	(144)	(582)
Other expenses	(187,949)	187,949	—	—
(Loss) profit before tax	(15,012)	—	21,155	6,143
Income tax expense	(2,742)	—	(5,552)	(8,294)
(Loss) profit for the year	(17,754)	—	15,603	(2,151)
Other comprehensive expense for the year				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation	(4,503)	—	(1,690)	(6,193)
Total comprehensive (expense) income for the year	(22,257)	—	13,913	(8,344)

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

	Year ended 31 December 2016 HK$'000 (Audited and originally stated)	Change of presentation of statement of profit or loss and other comprehensive income HK$'000	Business combination of entities under common control HK$'000	Year ended 31 December 2016 HK$'000 (Restated)
(Loss) profit for the year attributable to:				
Owners of the Company	(17,617)	—	9,635	(7,982)
Non-controlling interests	(137)	—	5,968	5,831
	(17,754)	—	15,603	(2,151)
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company	(22,120)	—	8,591	(13,529)
Non-controlling interests	(137)	—	5,322	5,185
	(22,257)	—	13,913	(8,344)

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

The effect of restatements on the consolidated statement of financial position in applying AG 5 as at 1 January 2016 is as follows:

	1 January 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	1 January 2016 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	24,674	746	25,420
Investment property	10,254	—	10,254
Deferred tax assets	1,253	5	1,258
Utility and other deposits paid	7,586	—	7,586
	43,767	751	44,518
Current assets			
Inventories	32,636	2,589	35,225
Trade, bills and other receivables	65,072	25,615	90,687
Utility and other deposits paid	7,542	3,492	11,034
Deposit placed at an insurance company	3,247	—	3,247
Amounts due from fellow subsidiaries	175	—	175
Amount due from an intermediate holding company	—	40,242	40,242
Tax recoverable	1,138	—	1,138
Pledged bank deposits	12,027	—	12,027
Bank balances and cash	333,939	96,154	430,093
	455,776	168,092	623,868

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

	1 January 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	1 January 2016 HK$'000 (Restated)
Current liabilities			
Trade and other payables	65,347	15,097	80,444
Amounts due to fellow subsidiaries	361	360	721
Amount due to an intermediate holding company	635	—	635
Obligations under finance leases	124	—	124
Tax payable	3,110	1,449	4,559
Bank borrowings	8,557	11,939	20,496
	78,134	28,845	106,979
Net current assets	377,642	139,247	516,889
Total assets less current liabilities	421,409	139,998	561,407
Non-current liability			
Obligations under finance leases	213	—	213
Net assets	421,196	139,998	561,194
Capital and reserves			
Share capital	27,279	—	27,279
Reserves	393,917	86,449	480,366
Equity attributable to owners of the Company	421,196	86,449	507,645
Non-controlling interest	—	53,549	53,549
Total equity	421,196	139,998	561,194

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

The effect of restatements on the consolidated statement of financial position in applying AG 5 as at 31 December 2016 is as follows:

	31 December 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	31 December 2016 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	277,414	1,070	278,484
Investment property	10,254	—	10,254
Deferred tax assets	1,253	—	1,253
Intangible assets	3,807	—	3,807
Goodwill	2,657	—	2,657
Utility and other deposits paid	9,773	—	9,773
	305,158	1,070	306,228
Current assets			
Inventories	33,321	5,239	38,560
Trade, bills and other receivables	90,017	32,515	122,532
Utility and other deposits paid	9,446	5,749	15,195
Amounts due from fellow subsidiaries	815	—	815
Tax recoverable	1,138	—	1,138
Pledged bank deposits	11,545	—	11,545
Bank balances and cash	171,045	61,386	232,431
	317,327	104,889	422,216

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

	31 December 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	31 December 2016 HK$'000 (Restated)
Current liabilities			
Trade and other payables	56,036	17,928	73,964
Amounts due to fellow subsidiaries	53	—	53
Amount due to an intermediate holding company	686	—	686
Obligations under finance leases	2,355	—	2,355
Tax payable	3,601	1,343	4,944
Bank borrowings	153,622	—	153,622
	216,353	19,271	235,624
Net current assets	100,974	85,618	186,592
Total assets less current liabilities	406,132	86,688	492,820
Non-current liability			
Obligations under finance leases	4,790	—	4,790
Net assets	401,342	86,688	488,030
Capital and reserves			
Share capital	27,279	—	27,279
Reserves	370,539	48,530	419,069
Equity attributable to owners of the Company	397,818	48,530	446,348
Non-controlling interests	3,524	38,158	41,682
Total equity	401,342	86,688	488,030

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

The effect of restatements on the consolidated statement of cash flows in applying AG 5 for the year ended 31 December 2016 is as follows:

	Year ended 31 December 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	Year ended 31 December 2016 HK$'000 (Restated)
OPERATING ACTIVITIES			
(Loss) profit before tax	(15,012)	21,155	6,143
Adjustments for:			
Depreciation of property, plant and equipment	11,098	496	11,594
Finance costs	438	144	582
Loss on write-off of property, plant and equipment	29	19	48
Share-based payment expenses	2,346	—	2,346
Bank interest income	(2,005)	(933)	(2,938)
Operating cash flows before movements in working capital	(3,106)	20,881	17,775
Increase in inventories	(2,351)	(2,961)	(5,312)
Increase in trade, bills and other receivables and prepayments	(14,714)	(8,996)	(23,710)
Increase in utility and other deposits paid	(586)	(2,608)	(3,194)
Increase in amounts due from fellow subsidiaries	(640)	—	(640)
(Decrease) increase in trade and other payables	(17,933)	4,004	(13,929)
Decrease in amounts due to fellow subsidiaries	(308)	(360)	(668)
Cash (used in) generated from operations	(39,638)	9,960	(29,678)
Income taxes paid	(2,113)	(5,561)	(7,674)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(41,751)	4,399	(37,352)

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

	Year ended 31 December 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	Year ended 31 December 2016 HK$'000 (Restated)
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months	(7,000)	—	(7,000)
Withdrawal of bank deposits with original maturity over three months	140,000	—	140,000
Net cash outflow from acquisition of business	(5,876)	—	(5,876)
Net cash outflow from acquisition of assets through acquisition of subsidiaries	(249,747)	—	(249,747)
Bank interest received	2,005	933	2,938
Additions of property, plant and equipment	(7,284)	(865)	(8,149)
Advance to an intermediate holding company	—	(5,408)	(5,408)
Repayment from an intermediate holding company	—	45,650	45,650
Withdrawal of deposit placed at an insurance company upon maturity	3,247	—	3,247
Decrease in pledged bank deposits	482	—	482
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(124,173)	40,310	(83,863)
FINANCING ACTIVITIES			
Dividends paid	(3,604)	—	(3,604)
Dividend paid by SZ Tempus Value Chain	—	(56,136)	(56,136)
Repayments of obligations under finance leases	(516)	—	(516)
Interest paid	(438)	(144)	(582)
Payment for the acquisition of entities under common control	—	(72,333)	(72,333)
Contribution from non-controlling interests	—	11,678	11,678
Advance from an intermediate holding company	51	—	51
Repayments of bank borrowings	(45,218)	(11,726)	(56,944)
New bank borrowings raised	187,095	—	187,095
Capital contribution to SZ Tempus Value Chain	—	49,568	49,568
NET CASH FROM (USED IN) FINANCING ACTIVITIES	137,370	(79,093)	58,277

2. BASIS OF PREPARATION *(Continued)*

Merger accounting and restatements *(Continued)*

	Year ended 31 December 2016 HK$'000 (Audited and originally stated)	Business combination of entities under common control HK$'000	Year ended 31 December 2016 HK$'000 (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,554)	(34,384)	(62,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	193,939	96,154	290,093
Effect of foreign exchange rate changes	(1,340)	(384)	(1,724)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	164,045	61,386	225,431
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	171,045	61,386	232,431
Bank deposits with original maturity over three months	(7,000)	—	(7,000)
	164,045	61,386	225,431

The effect of the restatement on the Group's basic and diluted loss per share for the year ended 31 December 2016 in applying AG 5 is as follow:

	For the year ended 31 December 2016 HK$
As audited and originally stated	(0.05)
Adjustments arising from the business combination of entities under common control	0.03
Restated	(0.02)

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining control of subsidiaries; (iii) changes in fair value of derivative; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 45. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 45, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 7 *Disclosure Initiative* *(Continued)*

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments*

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Classification and measurement

- Loan receivables carried at amortised cost as disclosed in notes 26, 27 and 28: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;
- Equity investments classified as available-for-sale investments carried at cost less impairment as disclosed in note 20: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair value changes related to these securities, representing the differences between cost less impairment and fair value would be adjusted to retained profits as at 1 January 2018;
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company as at 31 December 2017, if the expected credit loss model were to be applied by the Group, there will be no material impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

The directors of the Company have assessed the impact on application of HKFRS 15 based on the existing contracts and business model as at 31 December 2017 and did not anticipate a material impact on the timing and amounts of revenue from sales of goods, provision of logistics services, storage and other ancillary services recognised in the respective reporting periods.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$48,790,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$20,257,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases* *(Continued)*

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

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

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

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

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

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

Revenue from the provision of integrated logistics services, including freight forwarding, storage and other ancillary services, is recognised when the services are rendered.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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 (including the relevant prepaid lease payments) 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 revaluation reserve will be transferred directly to retained profits.

Transfer from investment properties to property, plant and equipment will be made when there is a change in use evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

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

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

Investment property

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

Leasehold land and building

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity investments held by the Group that are classified as AFS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for than financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Financial liabilities at amortised cost

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

Transaction costs that related to the issue of the senior note are included in the carrying amount of the senior note issued and amortised over the period of the senior note using the effective interest method.

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 components are measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instrument

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

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.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

Impairment of tangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets *(Continued)*

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

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

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

Research and development expenditure

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

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

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

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Foreign currencies

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

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

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

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are received for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Recoverability of trade receivables

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

As at 31 December 2017, the carrying amount of trade receivables is HK$177,856,000 (31 December 2016: HK$83,170,000 as restated), whereas no allowance for bad and doubtful debts off is made during the year.

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 December 2017 is HK$35,197,000 (31 December 2016: HK$38,560,000 as restated).

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2017 at their fair value, details of which are disclosed in note 17. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent qualified external valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and other comprehensive income and the carrying amount of these properties included in the consolidated statement of financial position. The carrying amount of investment properties at 31 December 2017 is HK$354,600,000 (2016: HK$10,254,000).

6. REVENUE AND SEGMENT INFORMATION

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

An operating segment of the Group represents each of the group entities whose operating results are regularly reviewed by the chief operating decision makers for the purposes of making decisions about resources allocation and assessment of performance. Operating segment with similar economic characteristics are aggregated and presented as reportable segments. The chief operating decision makers comprise the executive directors of the Company.

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

The Group's reportable 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 consumer products, and provision of logistics services, including freight forwarding, storage and other ancillary services

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

The Group's segment information for the year ended 31 December 2016 have been restated as a result of certain business combinations under common control as disclosed in note 2 to the consolidated financial statements.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

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

For the year ended 31 December 2017

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Revenue			
External sales	413,545	420,743	834,288
Inter-segment sales	—	4,090	4,090
Segment revenue	413,545	424,833	838,378
Elimination			(4,090)
Group revenue			834,288
Segment profit	518	28,041	28,559
Share of results of joint ventures			(682)
Share of results of associates			(2)
Unallocated administrative expenses			(28,943)
Other gains and losses			54,511
Bank interest income			4,230
Interest income on loans receivables			2,230
Finance costs			(18,581)
Profit before tax			41,322
Income tax expense			(9,822)
Profit for the year			31,500

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2016

	Health and wellness business HK$'000	Trading and logistics business HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue			
External sales	400,396	259,153	659,549
Inter-segment sales	—	639	639
Segment revenue	400,396	259,792	660,188
Elimination			(639)
Group revenue			659,549
Segment (loss) profit	(292)	20,533	20,241
Unallocated administrative expenses			(15,778)
Other gains and losses			(676)
Bank interest income			2,938
Finance costs			(582)
Profit before tax			6,143
Income tax expense			(8,294)
Loss for the year			(2,151)

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

The accounting policies of reportable segments are the same as the Group's significant accounting policies described in note 4. Segment profit (loss) represents the pre-tax gross profit (loss) generated/incurred from each segment without allocation of share of results of joint ventures and associates, certain unallocated administrative expenses, other gains and losses, bank interest income, interest income on loans receivables, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2017

	Health and wellness business HK$'000	**Trading and logistics business HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss:			
Depreciation and amortisation	**10,342**	**3,798**	**14,140**
Loss on write-off of property, plant and equipment	**384**	**—**	**384**
Gain on disposal of property, plant and equipment	**309**	**20**	**329**

For the year ended 31 December 2016 (Restated)

	Health and wellness business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation	10,624	970	11,594
Loss on write-off of property, plant and equipment	29	19	48

No other items of other information that are regularly provided to the chief operating decision maker.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Revenue from major products and services

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

	2017	2016
	HK$'000	HK$'000
		(Restated)
Sales of relaxation products	**389,227**	367,373
Sales of fitness products	**18,357**	22,291
Sales of therapeutic, diagnostic and cookware products	**5,961**	10,732
Sales of cross-border consumer products	**152,545**	74,947
Provision of freight forwarding services	**237,267**	176,326
Provision of storage and other ancillary services	**30,931**	7,880
	834,288	659,549

(d) Geographical information

The following table sets out information about the Group's geographical analysis of revenue from external customers determined based on the location of customers and the geographical location of the Group's non-current assets other than financial instruments and deferred tax assets.

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Hong Kong	**217,275**	146,043	**448,375**	288,841
Macau	**24,625**	26,035	**14**	14
PRC	**547,144**	441,929	**80,044**	12,693
Malaysia	**9,327**	10,109	**522**	628
Singapore	**35,917**	35,433	**1,780**	2,799
	834,288	659,549	**530,735**	304,975

(e) Segment assets and liabilities

No segment assets and liabilities are reported to the chief operating decision makers. Accordingly, no segment assets and liabilities are presented.

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000 (Restated)
Repair income	1,570	1,393
Delivery income	344	647
Bank interest income	4,230	2,938
Interest income on loans receivable	2,230	—
Warranty income	296	24
Rental income	8,806	480
Other service income	—	230
Government grant (Note)	2,530	1,367
Sundry income	685	1,075
	20,691	8,154

Note: The amount represented subsidies from government authority without any specific conditions attached to the grants.

8. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000 (Restated)
Gain on fair value change of derivatives embedded in convertible notes	9,462	—
Gain on fair value change of financial assets held for trading	1,081	—
Gain on fair value change of investment properties	40,846	—
Gain on disposal of property, plant and equipment	329	—
Loss on write-off of property, plant and equipment	(384)	(48)
Net exchange gain (loss)	3,177	(628)
	54,511	(676)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000 (Restated)
Interest on:		
Bank borrowings	3,111	498
Convertible notes (note 32)	13,927	—
Finance leases	384	84
Senior note (note 33)	1,159	—
	18,581	582

10. PROFIT BEFORE TAX

	2017 HK$'000	2016 HK$'000 (Restated)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of intangible assets	**761**	—
Auditor's remuneration	**2,420**	1,300
Cost of inventories recognised as an expense	**281,630**	191,455
Depreciation of property, plant and equipment	**13,379**	11,594
Gross rental income from investment properties	**(8,806)**	(483)
Less: Direct operating expenses incurred from investment properties that generated rental income during the year	**1,065**	—
	(7,741)	(483)
Operating lease payments in respect of rented premises		
- Minimum lease payments	**67,763**	41,875
- Contingent rent	**47,541**	29,476
Research and development expenditure	**—**	2,893
Staff costs:		
- Fee, salaries and other benefits (including directors' remuneration)	**132,707**	116,727
- Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**10,683**	9,533
- Share-based payment expenses	**5,399**	2,346
	148,789	128,606

For the year ended 31 December 2017

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000 (Restated)
Current tax:		
Hong Kong Profits Tax	**1,308**	108
Macau Complimentary Income Tax	**654**	803
Malaysian Corporate Income Tax	**22**	22
PRC Enterprise Income Tax ("EIT")	**8,192**	7,352
	10,176	8,285
Under(over)provision of taxation in prior years:		
Hong Kong Profits Tax	**2**	—
Macau Complimentary Income Tax	**(317)**	—
Malaysian Corporate Income Tax	**(39)**	4
	(354)	4
Deferred tax (note 21)	**—**	5
	9,822	8,294

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

The Macau Complimentary Income Tax is calculated at 12% of the estimated assessable profit for the year exceeding Macanese Pataca ("MOP") 600,000.

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

Under the Law of the PRC on EIT, the tax rate of the PRC subsidiary is 25% of taxable income for both years.

11. INCOME TAX EXPENSE *(Continued)*

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

	2017 **HK$'000**	2016 HK$'000 (Restated)
Profit before tax	**41,322**	6,143
Tax at PRC EIT Tax rate of 25%	**10,331**	1,536
Tax effect of income not taxable for tax purposes	**(15,113)**	(735)
Tax effect of expenses not deductible for tax purposes	**10,174**	2,724
Tax effect on tax exemption	**(69)**	(69)
Tax effect of tax losses not recognised	**6,109**	5,683
Tax effect of different tax rates on operations in other jurisdictions	**(1,428)**	(1,401)
(Over)underprovision of taxation in prior years	**(354)**	4
Others	**172**	552
Income tax expense for the year	**9,822**	8,294

Details of deferred taxation are set out in note 21.

12. DIRECTORS' EMOLUMENTS

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

	For the year ended 31 December 2017					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive Directors						
Mr. Yip Chee Lai, Charlie	—	2,854	177	17	481	3,529
Mr. Huang Jingkai	—	1,583	250	18	660	2,511
Mr. Li Dongming	—	3,000	—	18	538	3,556
Independent non-executive Directors						
Mr. Han Biao	150	—	—	—	76	226
Mr. Wong Lit Chor, Alexis	200	—	—	—	36	236
Mr. Li Qi	150	—	—	—	76	226
Non-executive Directors						
Mr. Zhong Baisheng	—	—	—	—	—	—
Ms. Zhang Yan	—	—	—	—	104	104
	500	7,437	427	53	1,971	10,388

12. DIRECTORS' EMOLUMENTS *(Continued)*

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

1 Appointed on 18 October 2016
2 Appointed on 12 August 2016
3 Resigned on 11 April 2016

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

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

Mr. Li Dongming has been appointed as the chief executive of the Company on 18 October 2016 and the former chief executive, Mr. Huang Jingkai, resigned on the same date. Their emoluments disclosed above include those for services rendered by them as the chief executive during the current and prior year.

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

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2016: two) are the directors of the Group during the year, whose emoluments are included in note 12 above. The emoluments of remaining two (2016: three) individuals during the year are as follows:

	2017	2016
	HK$'000	HK$'000
Salary and other benefits	**3,403**	7,015
Performance related incentive payments	**769**	—
Retirement benefits scheme contributions	**47**	110
Share-based payments	**493**	207
Total emoluments	**4,712**	7,332

Their emoluments were within the following bands:

	2017	2016
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,500,001 to HK$4,000,000	**—**	1
	2	3

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

14. DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Dividends recognised as distributions during the year:		
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 recommend the payment of a final dividend of HK cents 2.3 per share for the year ended 31 December 2017 (2016: Nil).

15. EARNINGS (LOSS) PER SHARE

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

	2017	2016
	HK$'000	HK$'000
		(Restated)
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**24,142**	(7,982)

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

Notes:

(a) The computation of diluted earnings per share for the year ended 31 December 2017 does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares and does not assume the conversion of the Company's outstanding convertible notes for the year ended 31 December 2017 since their assumed conversion would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares.

For the year ended 31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Total HK$'000
COST						
At 1 January 2016 (as original stated)	5,341	17,618	2,157	34,664	4,973	64,753
Restatement (note 2)	—	991	766	—	—	1,757
At 1 January 2016 (restated)	5,341	18,609	2,923	34,664	4,973	66,510
Additions	—	835	—	5,050	2,264	8,149
Acquisition of business (note 35(ii))	—	897	6,773	185	—	7,855
Acquisition of subsidiaries (note 35(i)(b))	249,501	—	—	—	—	249,501
Write-off	—	(156)	—	(36)	—	(192)
Exchange adjustments	—	(397)	(71)	(1,047)	(312)	(1,827)
At 31 December 2016 (restated)	254,842	19,788	9,625	38,816	6,925	329,996
Additions	**—**	**1,630**	**1,876**	**4,518**	**129**	**8,153**
Transferred to investment properties (note 17)	**(249,501)**	**—**	**—**	**—**	**—**	**(249,501)**
Transferred from investment properties (note 17)	**67,500**	**—**	**—**	**—**	**—**	**67,500**
Disposals	**—**	**—**	**(1,398)**	**—**	**—**	**(1,398)**
Write-off	**—**	**—**	**—**	**(865)**	**—**	**(865)**
Exchange adjustments	**—**	**480**	**137**	**1,379**	**526**	**2,522**
At 31 December 2017	**72,841**	**21,898**	**10,240**	**43,848**	**7,580**	**156,407**
DEPRECIATION						
At 1 January 2016 (as original stated)	2,865	13,161	1,611	22,400	42	40,079
Restatement (note 2)	—	464	547	—	—	1,011
At 1 January 2016 (restated)	2,865	13,625	2,158	22,400	42	41,090
Provided for the year	138	2,658	803	7,125	870	11,594
Eliminated on write-off	—	(137)	—	(7)	—	(144)
Exchange adjustments	—	(180)	(64)	(748)	(36)	(1,028)
At 31 December 2016 (restated)	3,003	15,966	2,897	28,770	876	51,512
Provided for the year	**1,240**	**1,981**	**2,288**	**6,955**	**915**	**13,379**
Transferred to investment properties (note 17)	**(833)**	**—**	**—**	**—**	**—**	**(833)**
Eliminated on disposals	**—**	**—**	**(961)**	**—**	**—**	**(961)**
Eliminated on write-off	**—**	**—**	**—**	**(481)**	**—**	**(481)**
Exchange adjustments	**—**	**288**	**96**	**1,083**	**89**	**1,556**
At 31 December 2017	**3,410**	**18,235**	**4,320**	**36,327**	**1,880**	**64,172**
CARRYING VALUES						
At 31 December 2017	**69,431**	**3,663**	**5,920**	**7,521**	**5,700**	**92,235**
At 31 December 2016 (restated)	251,839	3,822	6,728	10,046	6,049	278,484

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

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

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

The leasehold land represents land in Hong Kong.

The carrying value of motor vehicles includes an amount of HK$4,988,000 (2016: HK$6,635,000) in respect of assets held under finance leases.

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 17). 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.

On 19 October 2017, certain investment properties which have been rented out to a fellow subsidiary have been transferred to property, plant and equipment upon the change of their uses, evidenced by commencement of owner occupation. The fair value of properties at the date of transfer amount to HK$67,500,000 becomes the deemed cost recognised as property, plant and equipment.

The fair values of the above properties at the dates of transfer have 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 income capitalisation method. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, being the reversion yield, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016 and 31 December 2016	10,254
Transferred from property, plant and equipment (note 16)	251,000
Transferred to property, plant and equipment (note 16)	(67,500)
Increase in fair value (included in other gains and losses)	40,846
Acquisition of a subsidiary (note 35(i)(a))	120,000
At 31 December 2017	**354,600**

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

In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

The Group's investment properties at 31 December 2017 and 2016 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by APAC Asset Valuation and Consulting Limited, Cushman & Wakefield Limited (formerly known as DTZ Cushman & Wakefield Limited) and Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2016: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent professional valuers not connected with the Group, members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method or income capitalisation method. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted, being the reversion yield, is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties as at 31 December 2017 and 31 December 2016 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 3) based on the degree to which the inputs to the fair value measurements is observable.

17. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial properties in Hong Kong of HK$11,200,000 (2016: HK$10,254,000)	Level 3	Direct comparison method The key input is		
		(1) Adjusted unit sale rate	Adjusted unit sale rate, taking into account the location, and individual factors, such as frontage and size, between the comparable and the property of HK$14,000 (2016: HK$12,818) per square feet on saleable floor area basis.	An increase in the adjusted unit sale rate used would result in an increase in the fair value measurement of the investment properties, and vice versa.
Commercial properties in Hong Kong of HK$343,400,000 (2016: Nil)	Level 3	Income capitalisation method The key inputs are		
		(1) Reversion yield	Reversion yield, taking into account of the capitalisation of rental income potential, nature of the property and prevailing market condition of 2.5% (2016: Nil).	A slight increase in the reversion yield used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(2) Monthly market rent	Monthly market rents, taking into account of location and individual factors such as frontage and size, between the comparable and the property ranging from HK$50 to HK$53 (2016: Nil) per square feet per month on lettable area basis.	A slight increase in the monthly market rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

17. INVESTMENT PROPERTIES *(Continued)*

There were no transfers into or out of level 3 during the year.

The fair values of all investment properties were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy throughout the year.

18. INVESTMENTS IN JOINT VENTURES

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Cost of investments, unlisted	**36,198**	—
Share of post-acquisition losses	**(682)**	—
	35,516	—

The following set out the particulars of the joint ventures of the Group as at 31 December 2017 and 2016:

Name of associate	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			31.12.2017	31.12.2016	**31.12.2017**	31.12.2016	
TBRJ (note (a))	Cayman Islands	Ordinary shares	**45%**	—	**33.3%**	—	Provision of asset management and investment advisory services
Yantai Leteng LP (note (b))	PRC	Paid-up capital	**20%**	—	**40%**	—	Inactive

18. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes:

(a) On 7 July 2017, Tempus (BVI) Investment Limited ("Tempus BVI"), a wholly-owned subsidiary of the Company and two other independent third parties entered into an agreement for the establishment of TBRJ Asset Management Limited ("TBRJ"), a Cayman Islands exempted company, for the purpose of acting as the general partner of TBRJ Fund I L.P. ("TBRJ Fund"), a Cayman Islands exempted limited partnership. Tempus BVI subscribed 22,500 ordinary shares of US$1 each of total US$22,500 to TBRJ (equivalent to approximately HK$175,000). Upon the completion of the capital contribution, the Group holds 45% equity interest in TBRJ. The Group has the right to appoint two out of six directors in the board of directors of TBRJ which is responsible for making decisions of the relevant activities of TBRJ. Decisions about the relevant activities of TBRJ require the unanimous consent of one director appointed by the Group and one director appointed by another joint venturer. In this regard, the investment in TBRJ is accounted for as a joint venture of the Group.

On 12 December 2017, Tempus BVI and other two independent third parties established TBRJ Fund for the purpose of having capital appreciation by acquiring, holding and disposing of securities primarily in tourism business, cross-border commercial logistics business, and consumer and healthcare business. Tempus BVI contributed US$3,580,000 (equivalent to approximately HK$27,924,000) to TBRJ Fund as a limited partner. Upon the completion of the capital contribution, the Group holds 12.43% equity interest in TBRJ Fund and has no rights to appoint any director in the investment committee of TBRJ Fund, which is responsible for making decisions of the relevant activities of the TBRJ Fund. In this regard, the investment in TBRJ Fund is accounted for as available-for-sale investment of the Group (note 20).

(b) On 29 November 2017, 煙台騰邦股權投資管理有限公司 ("Yantai Tengbang"), an associate of the Group (note 19), Tempus OTO (Shenzhen) Health Industry Limited (騰邦豪特(深圳)大健康產業有限公司) ("Tempus OTO (Shenzhen)"), an indirect wholly-owned subsidiary of the Company and two other independent third parties established 煙台樂騰股權投資管理中心(有限合夥) ("Yantai Leteng LP"), a limited partnership established in the PRC, for the purpose of having capital appreciation by acquiring companies in the segments of healthcare, consumption upgrade, science and technology manufacturing and trading and logistics. Tempus OTO (Shenzhen) contributed RMB30,000,000 (equivalent to HK$36,023,000) to Yantai Leteng LP as a limited partner. Upon the completion of the capital contribution, the Group hold 20% of equity interest in Yantai Lenteng LP. The Group has the right to appoint two out of five members in the investment committee of Yantai Leteng LP which is responsible for making decisions of relevant activities of Yantai Leteng LP, where these decisions require a minimum resolution of four members. In the opinion of the directors of the Company, Tempus OTO (Shenzhen) and another joint venturer who is also entitled to appoint two voting members in the investment committee share joint control over Yantai Leteng LP as the decisions of the relevant activities of Yantai Leteng LP require the consent from both the Group and that joint venturer. In this regard, the investment is accounted for as a joint venture of the Company.

These joint ventures are accounted for using the equity method in these consolidated financial statements.

18. INVESTMENTS IN JOINT VENTURES *(Continued)*

Summarised financial information in respect of the Group's material joint venture, Yantai Leteng LP is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	31.12.2017 **HK$'000**	31.12.2016 HK$'000
Yantai Leteng LP		
Financial position		
Current assets	**72,046**	N/A

Reconciliation of the above consolidated financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31.12.2017 **HK$'000**	31.12.2016 HK$'000
Net assets	**72,046**	N/A
The Group's share of net assets (Note)	**36,023**	N/A

Note: As at 31 December 2017, capital contribution to Yantai Leteng LP is partially outstanding from other shareholders, therefore, the Group shares 50% of the net assets of Yantai Leteng LP, which is equivalent to its proportion of capital contribution as at 31 December 2017.

19. INVESTMENTS IN ASSOCIATES

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Cost of investments, unlisted	**1,840**	—
Share of post-acquisition losses	**(2)**	—
	1,838	—

The following set out the particulars of the associates of the Group as at 31 December 2017 and 2016:

Name of associate	**Place of establishment/ operations**	**Class of shares held**	**Proportion of ownership interest**		**Proportion of voting rights held**		**Nature of business**
			31.12.2017	31.12.2016	**31.12.2017**	31.12.2016	
Yantai Tengbang (note)	PRC	Paid-up capital	**40%**	—	**40%**	—	Provision of asset management and investment advisory services
Art Of Wine Cellars Company Limited	Hong Kong	Ordinary shares	**40%**	—	**33.3%**	—	Inactive

Note: On 25 September 2017, 深圳騰邦科技產業發展有限公司 ("Shenzhen Tempus"), an indirect wholly-owned subsidiary of the Company and other two independent third parties entered into an agreement for the establishment of Yantai Tengbang, a company established in the PRC with limited liability, for the purpose of acting as the general partner of Yantai Leteng LP, a joint venture of the Group (note 18). Shenzhen Tengbang contributed RMB1,200,000 (equivalent to approximately HK$1,440,000) to the registered capital of Yantai Tengbang. Upon the completion of the capital contribution, the Group holds 40% equity interest in Yantai Tengbang. The shareholders exercise their voting rights in the shareholders meeting which is the highest decision-making body of Yantai Tengbang in proportion to their paid-up capital contributions. In this regard, the investment is accounted for as an associate of the Group.

The directors of the Company consider that there are no material associates and hence no summarised financial information in respect of the associates is presented.

The associates of the Group are accounted for using the equity method in these consolidated financial statements.

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	31.12.2017 HK$'000	31.12.2016 HK$'000
Unlisted investments at cost:		
- Equity securities (Note)	**29,876**	—
- Equity interest in TBRJ Fund (note 18(a))	**27,924**	—
	57,800	—
Analysed for reporting purposes as:		
Current assets	**29,876**	—
Non-current assets	**27,924**	—
	57,800	—

Note: On 13 January 2017, Tempus OTO (Shenzhen) entered into a loan agreement with an independent third party, Shanghai Pinzhi Investment Management Co. Ltd 上海品智投資管理有限公司 ("Shanghai Pinzhi") and the existing shareholders of the Shanghai Pinzhi, pursuant to which Tempus OTO (Shenzhen) agreed to lend to the Shanghai Pinzhi 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 OTO (Shenzhen) may, at their own discretion, to convert the Loan into new subscribed share capital of Shanghai Pinzhi, which represents 12.5% equity interest in the enlarged paid-up capital of Shanghai Pinzhi after the conversion. Details of the transaction are set out in the announcement published by the Company dated 13 January 2017.

On 28 November 2017, Tempus OTO (Shenzhen) exercised the conversion right attached to the Loan and acquired 12.5% equity interest in Shanghai Pinzhi in lieu of the settlement of the Loan.

On 22 December 2017, Tempus OTO (Shenzhen) (as seller) and Yantai Leteng LP (as buyer) entered into an agreement in relation to the sale and purchase of the 12.5% equity interest in Shanghai Pinzhi at a consideration of RMB50,000,000 (equivalent to approximately HK$59,500,000) in cash. As at 31 December 2017, Yantai Leteng LP has made a payment of RMB10,000,000 (equivalent to approximately HK$12,008,000) and the transaction has not been completed up to the date of approving these consolidated financial statements as the conditions precedent for completion under the agreement have not yet been fulfilled. Accordingly, the amount is classified as current asset.

The available-for-sale investments were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably.

21. DEFERRED TAX ASSETS

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

	Depreciation in excess of tax allowance on property, plant and equipment HK$'000	Impairment of trade and other receivables HK$'000	Total HK$'000
As at 1 January 2016 (as original stated)	1,253	—	1,253
Restatement (note 2)	—	5	5
As at 1 January 2016 (restated)	1,253	5	1,258
Charge to profit or loss	—	(5)	(5)
As at 31 December 2016 (restated) and 31 December 2017	**1,253**	**—**	**1,253**

As at 31 December 2017, the Group has unused tax losses of HK$54,983,000 (2016: HK$30,547,000 as restated) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future assessable profit streams. The tax losses as at 31 December 2017 may be carried forward indefinitely.

Under the Law of PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At the end of the reporting period, the temporary difference associated with undistributed earnings of the PRC subsidiaries for which deferred tax liability has not been recognised is HK$55,286,000 (31 December 2016: HK$32,920,000 as restated). No deferred taxation has been recognised in respect of this difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

22. INTANGIBLE ASSETS

	HK$'000
COST	
Arising on acquisition of a subsidiary (note 35(ii)) and at 31 December 2016 and 31 December 2017	**3,807**
AMORTISATION	
Charge for the year and at 31 December 2017	**761**
CARRYING VALUES	
At 31 December 2017	**3,046**
At 31 December 2016	3,807

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

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

23. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary (note 35(ii)) and at 31 December 2016 and 31 December 2017	**2,657**

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

During the year ended 31 December 2017, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a discount rate of 18%. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

The management believes that any reasonably possible change in any of these assumptions would not cause its carrying amount to exceed its recoverable amount. The management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

24. UTILITY AND OTHER DEPOSITS PAID/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Utility and other deposits paid include deposit paid for acquisition of an associate of HK$36,023,000 (note 47) and other deposits which are not expected to be realised within twelve months from the end of the reporting period are classified as non-current assets.

Pledged bank deposits carry interest at a rate of 0.30% (2016: rates ranging from 0.10% to 0.30%) per annum. Deposits amounting to HK$9,678,000 (2016: HK$11,545,000) have been pledged to secure short-term bank loans and trust receipt loans and therefore classified as current assets.

Bank balances carry floating average market interest at rates ranging from 0.01% to 0.35% (2016: 0.01% to 0.30%) per annum and fixed interest at rates ranging from 0.30% to 1.45% (2016: 0.01% to 1.10%) per annum.

Bank deposits with original maturity over three months carry fixed interest at rates ranging from 0.10% to 3.65% (2016: 1.30%) per annum.

25. INVENTORIES

All inventories represent finished goods held for resale.

26. TRADE, BILLS AND OTHER RECEIVABLES

	31.12.2017 **HK$'000**	31.12.2016 HK$'000 (Restated)
Trade receivables	**177,856**	83,170
Bills receivables	**9,520**	7,390
Prepayments	**23,495**	25,881
Other receivables	**8,716**	6,091
	219,587	122,532

For health and wellness business:

Retail sales (other than those in department stores) are normally settled in cash or by credit cards 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.

For trading and logistic business:

The Group granted credit period from 30 days to 180 days to the customers of logistic services and a credit period from 30 days to 60 days to customers of trading.

26. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

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

	31.12.2017	31.12.2016
	HK$'000	HK$'000
		(Restated)
0 - 30 days	**116,859**	42,966
31 - 60 days	**30,596**	14,793
61 - 90 days	**10,957**	9,170
Over 90 days	**19,444**	16,241
	177,856	83,170

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

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$48,063,000 (31 December 2016: HK$26,557,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period.

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

	31.12.2017	31.12.2016
	HK$'000	HK$'000
		(Restated)
1 - 30 days	**24,992**	11,871
31 - 60 days	**10,666**	3,823
61 - 90 days	**5,350**	1,668
Over 90 days	**7,055**	9,195
	48,063	26,557

As at 31 December 2017 and 31 December 2016, the Group had not provided for any allowance for doubtful debts.

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

26. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

Bills receivables have an average originally maturity period of 180 days and the aged analysis based on sales invoice dates are as follows:

	31.12.2017	31.12.2016
	HK$'000	HK$'000
0 - 30 days	**120**	—
31 - 60 days	**840**	335
61 - 90 days	**120**	1,451
Over 90 days	**8,440**	5,604
	9,520	7,390

The maturity dates of bills receivables at the end of the reporting period are analysed as follows:

	31.12.2017	31.12.2016
	HK$'000	HK$'000
		(Restated)
1 - 30 days	**1,653**	1,362
31 - 60 days	**3,075**	2,568
61 - 90 days	**1,369**	1,674
Over 90 days	**3,423**	1,786
	9,520	7,390

All bills receivables at the end of the reporting period are not yet due.

27. LOANS RECEIVABLE

(a) Pursuant to an agreement dated 29 June 2017 entered into by the Group and an independent third party, the Group 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.

(b) Pursuant to an agreement dated 26 July 2017 entered into by the Group and an independent third party, the Group has provided to the independent third party a revolving loan of HK$9,000,000 which carries interest at 10% per annum, with an original maturity of one year, which can be revolved at a maximum of two times with three months each upon maturity. During the year ended 31 December 2017, the counterparty renounced the right of revolving the loan upon maturity and accordingly, the amount is classified as current asset.

28. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/AN INTERMEDIATE HOLDING COMPANY

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Amounts due from:		
Fellow subsidiaries	**556**	815
Amounts due to:		
Fellow subsidiaries	**1,054**	53
An intermediate holding company	**15,332**	686

Amounts due from/to fellow subsidiaries are trade in nature and aged within 30 days based on the invoice date of each reporting periods, which are unsecured, interest-free and have credit period ranging from 30 days to 60 days.

At at 31 December 2017, the amount due to an intermediate holding company is unsecured, interest-free, not-trade in nature and not repayable within one year from the end of the reporting period and as at 31 December 2016, the amount due to an intermediate holding company was unsecured, interest-free, non-trade in nature and repayable on demand.

29. TRADE AND OTHER PAYABLES

	31.12.2017	31.12.2016
	HK$'000	HK$'000
		(Restated)
Trade payables	**61,844**	34,215
Receipts in advance	**13,129**	13,341
Accruals	**12,224**	11,042
Deposit received in respect of disposal of available-for-sale investment (note 20)	**12,008**	—
Others	**25,480**	15,366
	124,685	73,964

29. TRADE AND OTHER PAYABLES *(Continued)*

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

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
0 - 30 days	**47,930**	25,941
31 - 60 days	**11,958**	5,810
61 - 90 days	**1,860**	1,213
Over 90 days	**96**	1,251
	61,844	34,215

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

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2017 HK$'000	31.12.2016 HK$'000	**31.12.2017 HK$'000**	31.12.2016 HK$'000
Amounts payable under finance leases:				
Within one year	**2,512**	2,719	**2,239**	2,355
In more than one year but not more than five years	**3,348**	5,183	**3,146**	4,790
	5,860	7,902	**5,385**	7,145
Less: Future finance charges	**(475)**	(757)	**N/A**	N/A
Present value of lease obligations	**5,385**	7,145	**5,385**	7,145
Less: Amounts due within one year shown under current liabilities			**(2,239)**	(2,355)
Amounts due after one year shown as non-current liability			**3,146**	4,790

The Group has leased motor vehicles under finance leases. The lease terms are from three to five years. The average effective borrowing rate for current period is 3.06% (2016: 3.05%) per annum. Interest rate is fixed and ranges from 1.80% to 4.96% (2016: 1.98% to 5.50%) on the contract date. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

All finance lease obligations are denominated in HK$.

31. BANK BORROWINGS

	31.12.2017 HK$'000	31.12.2016 HK$'000
Secured trust receipt loans	**6,761**	6,008
Secured bank loans	**142,316**	146,676
Bank overdraft	**242**	938
	149,319	153,622
Carrying amount of bank borrowings that do not contain a repayment on demand clause and are repayable:		
On demand and within one year	**64,937**	—
In more than one year but not more than two years	**3,518**	—
In more than two years but not more than five years	**10,978**	—
More than five years	**60,643**	—
	140,076	—
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
Within one year	**9,202**	74,885
In more than one year but not more than two years	**41**	3,528
In more than two years but not more than five years	**—**	10,803
More than five years	**—**	64,406
	9,243	153,622
	149,319	153,622
Less: Amounts due within one year shown under current liabilities	**(74,180)**	(153,622)
Amounts shown under non-current liabilities	**75,139**	—

During the year ended 31 December 2017, the Group has obtained written consent from the bank which confirmed that they have agreed to waive the right to demand for immediate repayment for certain bank borrowings. Accordingly, the bank borrowings are presented based on the scheduled repayment dates set out in the loan agreements as at 31 December 2017.

31. BANK BORROWINGS *(Continued)*

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

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Variable rates:		
- 1.3% over 1 month Hong Kong Interbank Offered Rate ("HIBOR")	**140,318**	144,438
- London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.25%	**6,761**	6,008
- 1% over HK$ prime rate	**2,120**	2,980
- 1% below HK$ prime rate	**120**	196
	149,319	153,622

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

	31.12.2017	31.12.2016
Variable rate borrowings	**2.11% - 6.25%**	1.96% - 6.25%

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

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Denominated in USD	**6,761**	6,008

32. 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 three convertible notes ("CB 2017") with aggregate principal amount of HK$160,000,000 at an interest rate of 6% per annum payable on the 182nd day after issue and on the maturity date. 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 ratably. 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.

32. CONVERTIBLE NOTES *(Continued)*

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$153,066,000 and HK$6,612,000 at 31 December 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 an effective interest rate of 18% per annum, which was determined with reference to the prevailing market rates of interest for a similar instrument with a similar credit rating. The fair values of the derivatives embedded in the convertible notes at initial recognition and at 31 December 2017 have been arrived with reference to 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:

	At initial recognition	At 31 December 2017
Share price	**HK$1.81**	**HK$1.73**
Exercise price	**HK$2.30**	**HK$2.30**
Expected volatility	**44.37%**	**53.78%**
Expected dividend yield	**0.00%**	**0.00%**

The movement of the debt and derivative components of CB 2017 for the current year are set out as below:

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
Issue of CB 2017	143,926	16,074	160,000
Interest charged	13,927	—	13,927
Interest paid	(4,787)	—	(4,787)
Change in fair value	—	(9,462)	(9,462)
As at 31 December 2017	**153,066**	**6,612**	**159,678**

33. SENIOR NOTE

	31.12.2017 HK$'000	31.12.2016 HK$'000
Issue of new senior note	**100,000**	—
Less: Transaction costs	**(708)**	—
Interest charged during the year	**1,159**	—
At 31 December	**100,451**	—

On 13 November 2017, the Company issued a senior note of HK$100,000,000 to an independent third party with a maturity of one year due on 13 November 2018 (the "Note"). The Note bears coupon at 7% per annum payable semi-annually in arrears.

The Note is unconditional, unsubordinated and unsecured obligations of the Company and ranked pari passu and without any preference among themselves. The payment obligations of the Company under the Note ranked at least equally with all its other present and future unsecured and unsubordinated obligations.

34. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
At 1 January 2016, 31 December 2016 and 31 December 2017	349,876,800	3,498,768

	2017 HK$'000	2016 HK$'000
Presented as	**27,279**	27,279

35. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of assets through acquisition of subsidiaries

a. On 7 December 2017, Tempus (BVI) Properties Investment Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party of the Group, pursuant to which Tempus (BVI) Properties Investment Limited agreed to purchase 100% issued share capital of KK II (BVI) Limited, at a consideration of HK$118,235,000. KK II (BVI) Limited is engaged in properties investment and its principal assets held are properties in Hong Kong. This transaction did not meet the definition of a business combination. The acquisition was completed on 7 December 2017.

	HK$'000
The net assets acquired in the transaction were as follows:	
Investment properties (note 17)	120,000
Deposits paid	71
Bank balances and cash	114
Other payables	(1,950)
Net assets acquired	118,235

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	118,235
Less: bank balances and cash acquired	(114)
	118,121

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

	HK$'000
The net assets acquired in the transaction were as follow:	
Property, plant and equipment (note 16)	249,501
Other receivables and prepayments	249
Bank balances and cash	881
Other payables	(3)
Net assets acquired	250,628

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

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

Pursuant to the sales and purchase agreement, OTO BVI acquired 35% equity interest in Tempus Sky at a consideration of HK$5,250,000 and subscribed for the further newly issued 3,400 shares of Tempus Sky at HK$5,100,000, upon satisfaction of certain conditions as set out in the agreement. The acquisition was completed on 31 October 2016. Accordingly, OTO BVI owns approximately 51.5% equity interest of Tempus Sky and it becomes an indirect non-wholly owned subsidiary of the Company thereafter. Details of the acquisition are set out in the announcement by the Company dated 18 October 2016.

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

	HK$'000
Property, plant and equipment (note 16)	7,855
Intangible assets (note 22)	3,807
Trade and other receivables	17,881
Deposits paid	3,429
Bank balances and cash	414
Trade and other payables	(10,396)
Obligations under finance leases	(7,324)
Tax payables	(84)
Bank borrowings	(3,188)
Bank overdraft	(1,040)
	11,354

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

Pursuant to the sales and purchase agreement, OTO BVI was granted the right to oblige the Sky Vendor to repurchase all the shares of Tempus Sky held by OTO BVI at a consideration of HK$10,350,000 if Tempus Sky is unable to meet certain financial performance target during the three-year period after the completion of the acquisition. In the opinion of the directors of the Company, the fair value of the option to sell the shares of Tempus Sky is insignificant at initial recognition and at the end of the reporting period.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

Goodwill arising on acquisition:

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

Note: The non-controlling interest at the completion date were measured at its present ownership interest's proportionate share in the recognised amounts of Tempus Sky's identifiable net assets at the completion date.

Goodwill was determined as the excess of the consideration and the amount of non-controlling interest of Tempus Sky over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of Tempus Sky because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tempus Sky. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

Net cash outflow on arising acquisition:

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

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

Had the acquisition been completed on 1 January 2016, total Group revenue for the year would have been HK$720,439,000 as restated, and loss for the year would have been HK$2,410,000 as restated. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

36. PLEDGE OF ASSETS

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

	31.12.2017 **HK$'000**	31.12.2016 HK$'000
Leasehold land and buildings		
- included in property, plant and equipment	**69,431**	251,839
Investment properties	**354,600**	10,254
Pledged bank deposits	**9,678**	11,545
	433,709	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 as disclosed in note 16.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, certain investment properties were let out under operating leases.

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:

	31.12.2017 **HK$'000**	31.12.2016 HK$'000
Within one year	**11,525**	130
In the second to fifth years inclusive	**11,327**	—
	22,852	130

Lease is negotiated and rental is fixed for a term of one to three years.

37. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee

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

	31.12.2017	31.12.2016
	HK$'000	HK$'000
		(Restated)
Within one year	**31,829**	53,004
In the second to fifth years inclusive	**16,961**	38,807
	48,790	91,811

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.

38. CAPITAL RISK MANAGEMENT

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

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

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2017 HK$'000	31.12.2016 HK$'000 (Restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**380,448**	341,442
Available-for-sale investments	**57,800**	—
Financial liabilities		
Liabilities at amortised cost	**493,165**	201,655
Derivatives	**6,612**	—

(b) Financial risk management objectives and policies

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

(i) Foreign currency risk

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

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

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk (Continued)

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

	Assets		Liabilities	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**3,507**	21,273	**24,813**	10,775
HK$	**8,699**	7,980	**—**	—
Renminbi ("RMB")	**45,073**	8,242	**15,365**	43
Euro ("EUR")	**—**	5,003	**—**	—

Sensitivity analysis

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

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

The following table details the Group's sensitivity to a 10% (2016: 10%) increase or decrease in HK$ against RMB and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2016: 10%) change in foreign currency rates. The following table indicates the impact to the profit/loss after tax where HK$ strengthens 10% (2016: 10%) against the respective foreign currencies. For a 10% (2016: 10%) weakening of HK$ against the foreign currency, there would be an equal and opposite impact on the profit/loss after tax.

	Decrease in profit	Increase in loss
	2017	2016
	HK$'000	HK$'000
RMB impact	**2,481**	685
EUR impact	**—**	418

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

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (note 24), interest-free amount due to an intermediate holding company (note 28), fixed-rate obligations under finance leases (note 30), convertible notes (note 32) and senior note (note 33). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is insignificant.

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HK$ prime rate, HIBOR and LIBOR arising from the Group's borrowings.

Sensitivity analysis

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

The sensitivity analysis below has been determined based on the exposure to interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher and all other variables were held constant, the potential effect on the Group's profit/loss after tax during the year is as follows:

	2017	2016
	HK$'000	HK$'000
Decrease in profit/increase in loss	**623**	637

If interest rates had been 50 basis points (2016: 50 basis points) lower and all other variables were held constant, there would be an equal and opposite impact on the profit/loss after tax.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk

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

The Group's credit risk is primarily attributable to its trade, bills and other receivables, loans receivable, amounts due from fellow subsidiaries, pledged bank deposits and bank balances.

At 31 December 2017, the Group has concentration of credit risk on loans receivable from two counterparties. The management of the Group has periodic communication with the counterparties. The directors of the Company consider that the credit risk exposure associated with these loans receivable is minimal taking into account the financial position of one of the guarantors or the subsequent settlement after the end of the reporting period.

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

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

The Group has concentration of credit risk as 34% (2016: 35%) of the total trade receivables represented amounts due from the Group's largest five trade debtors which mainly include department stores and wholesale customers. The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Other price risk

Price risk on embedded derivatives components of the convertible notes

For the year ended 31 December 2017, the Company is required to estimate the fair value of the derivative component of the convertible notes, including conversion options, with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible notes are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

If the listed share price of the Company had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's profit for the year would decrease by HK$3,112,000 (2016: Nil)/increase by HK$842,000 (2016: Nil), as a result of changes in fair value of the derivative component of the convertible notes. If the volatility of listed share prices of the Company had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's profit for the year would decrease by HK$2,494,000 (2016: Nil)/increase by HK$491,000 (2016: Nil), as a result of changes in fair value of the derivative component of the convertible notes.

In management's opinion, the sensitivity analyses above are unrepresentative of the inherent price risk as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

(v) Liquidity risk

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

In additions, the Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2017, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$3,167,000 (2016: HK$2,472,000) and HK$240,899,000 (2016: HK$245,132,000 as restated) respectively. Details of which are set out in note 31.

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

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk (Continued)

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

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2017
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017						
Financial liabilities						
Trade and other payables	—	73,943	—	—	73,943	73,943
Amounts due to fellow subsidiaries	—	1,054	—	—	1,054	1,054
Amount due to an intermediate holding company	—	—	—	15,332	15,332	15,332
Bank borrowings at variable interest rate	2.3	75,867	5,001	84,265	165,133	149,319
Senior note	7.0	—	107,000	—	107,000	100,451
Convertible notes	18.0	—	164,800	—	164,800	159,678
Obligations under finance leases	3.5	677	1,835	3,348	5,860	5,385
		151,541	278,636	102,945	533,122	505,162

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk (Continued)

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016 (restated)						
Financial liabilities						
Trade and other payables	—	47,294	—	—	47,294	47,294
Amounts due to fellow subsidiaries	—	53	—	—	53	53
Amount due to an intermediate holding company	—	686	—	—	686	686
Bank borrowings at variable interest rate	2.1	153,622	—	—	153,622	153,622
Obligations under finance leases	3.5	680	2,039	5,183	7,902	7,145
		202,335	2,039	5,183	209,557	208,800

As at 31 December 2017 and 31 December 2016, bank borrowings with a repayment on demand clause were included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank borrowings amounted to HK$9,243,000 (2016: HK$153,622,000). Taking into account the Group's financial position, the directors of the Company did not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings would be repaid by monthly instalments in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk (Continued)

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

	Less than 1 year HK$'000	1-2 years HK$'000	2 - 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2017	**9,253**	**42**	**—**	**—**	**9,295**	**9,243**
31 December 2016	76,620	10,043	14,878	69,429	170,970	153,622

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

(c) Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Derivatives embedded in the convertible notes are measured at fair value as at 31 December 2017. The following table gives information about how their fair values are determined (in particular, the valuation technique(s) and inputs used).

39. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

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 (refer to note 32)	The higher the volatility of the share price of the Company, the higher the fair value of the derivative liability

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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

40. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in notes 2, 12 and 28, during the year the Group entered into following transactions with related parties:

Related parties	Nature of transaction	2017 HK$'000	2016 HK$'000
Fellow subsidiaries	Rental income	**(8,745)**	—
	Rental expense and management fee expense	**350**	362
	Services income	**—**	(956)
	Management fee income	**—**	(180)
	Logistic service income	**(4,909)**	—
	Installation fee on computer software	**265**	405

The balances of amounts due from/to fellow subsidiaries and an intermediate holding company are disclosed in the consolidated statement of financial position and in note 28.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 12.

41. RETIREMENT BENEFIT SCHEME

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

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute MOP30 per month for each employee to the retirement benefit plan to fund the benefits.

The employees employed in the PRC are members of the state-managed retirement benefit scheme operated by 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 scheme.

The employees employed in Malaysia are members of Employees Provident Fund, a Malaysian government agency under the Ministry of Finance. The subsidiary established in Malaysia is required to contribute certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

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

As at 31 December 2017 and 2016, the Group had no significant obligation apart from the contribution as stated above.

42. 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.

42. SHARE-BASED PAYMENTS *(Continued)*

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 26,370,000 (2016: 5,000,000), representing approximately 7.5% (2016: 1.4%) of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange 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.

42. SHARE-BASED PAYMENTS *(Continued)*

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

Date of grant	Exercise price	Outstanding at 1 January 2016	Lapsed during the year	Outstanding at 31 December 2016 and 1 January 2017	Granted during the year	Lapsed during the year	Outstanding at 31 December 2017
31 August 2015	HK$3.38	5,300,000	(300,000)	5,000,000	—	(550,000)	4,450,000
26 January 2017	HK$1.84	—	—	—	23,420,000	(1,500,000)	21,920,000
		5,300,000	(300,000)	5,000,000	23,420,000	(2,050,000)	26,370,000
Exercisable at the end of the year		—		—			2,192,000
Weighted average exercise price		HK$3.38	HK$3.38	HK$3.38	HK$1.84	HK$2.25	HK$2.10

During the year ended 31 December 2017, 2,050,000 (2016: 300,000) share options were lapsed.

The fair values of the share options of total HK$23,935,000 granted during the year ended 31 December 2017 are calculated using the Binomial model. The inputs into the model were 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%

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

The Group recognised a charge of HK$5,399,000 in the staff costs for the year ended 31 December 2017 (2016: HK$2,346,000) in relation to share options granted by the Company.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Investments in subsidiaries	**396,269**	138,875
Current assets		
Prepayments and other receivables	**1,658**	311
Amounts due from subsidiaries	**381,764**	288,932
Bank balances and cash	**3,092**	115,080
	386,514	404,323
Current liabilities		
Other payables and accrued expenses	**7,419**	754
Amounts due to subsidiaries	**—**	24,615
Bank borrowings	**64,938**	143,500
Convertible notes	**159,678**	—
Senior note	**100,451**	—
	332,486	168,869
Net current assets	**54,028**	235,454
Total assets less current liabilities	**450,297**	374,329
Non-current liabilities		
Bank borrowings	**75,139**	—
Amount due to an intermediate holding company	**15,332**	—
	90,471	—
Net assets	**359,826**	374,329
Capital and reserves		
Share capital	**27,279**	27,279
Reserves	**332,547**	347,050
Total equity	**359,826**	374,329

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

Movement of reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	363,811	32	960	(10,599)	354,204
Loss for the year	—	—	—	(5,896)	(5,896)
Transfer upon forfeiture of share options	—	—	(85)	85	—
Recognition of equity-settled share-based payments	—	—	2,346	—	2,346
Dividends paid	(3,604)	—	—	—	(3,604)
At 31 December 2016	360,207	32	3,221	(16,410)	347,050
Loss for the year	**—**	**—**	**—**	**(19,902)**	**(19,902)**
Transfer upon forfeiture of share options	**—**	**—**	**(683)**	**683**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**5,399**	**—**	**5,399**
At 31 December 2017	**360,207**	**32**	**7,937**	**(35,629)**	**332,547**

44. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
OTO BVI	British Virgin Islands 7 January 2011	US$16,252	**100%**	100%	**–**	–	Investment holding
OTO (HK) Investment Limited	Hong Kong 17 February 2011	HK$1	**–**	–	**100%**	100%	Investment holding
OTO Bodycare (H.K.) Limited	Hong Kong 14 November 1986	HK$1,000,000	**–**	–	**100%**	100%	Sales of health and wellness products in Hong Kong
OTO International (Macau) Company Limited	Macau 13 September 2005	MOP30,000	**–**	–	**100%**	100%	Sales of health and wellness products in Macau
Dainty Shanghai Co., Ltd.	PRC (Note) 25 March 2010	Registered and paid-up capital US$5,150,000	**–**	–	**100%**	100%	Sales of health and wellness products in PRC
OTO Wellness Sdn. Bhd.	Malaysia 17 July 2014	MYR1,000,000	**–**	–	**100%**	100%	Sales of health and wellness products in Malaysia
OTO Wellness Pte. Ltd.	Singapore 1 October 2014	SGD10,000	**–**	–	**100%**	100%	Sales of health and wellness products in Singapore
Tempus OTO Limited	Hong Kong 29 January 2015	HK$10,000	**–**	–	**100%**	100%	Inactive
Tempus OTO (Shenzhen)	PRC (Note) 10 April 2015	Registered and paid-up capital RMB5,500,000	**–**	–	**100%**	100%	Sales of health and wellness products in PRC
Tempus Cross-border Commercial Service Limited	Hong Kong 12 August 2015	HK$10,000	**100%**	100%	**–**	–	Provision of trading and distribution of cross-border consumer products
上海騰邦健康管理咨詢有限公司	PRC (Note) 24 April 2016	Registered capital RMB1,000,000	**–**	–	**100%**	100%	Inactive
Tempus (BVI) Investment Limited	British Virgin Islands 14 June 2016	US$50,000	**100%**	100%	**–**	–	Inactive
Tempus Sky Enterprises Limited (note 35(ii))	Hong Kong 14 September 2016	HK$13,400	**–**	–	**51.5%**	51.5%	Investment holding

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
Sky Logistics & Supply Chain Limited	Hong Kong 30 November 2001	HK$1,000,000	**—**	—	**51.5%**	51.5%	Provision of logistics services and general trading
Great Giant Limited	Hong Kong 29 March 1994	HK$100,000	**—**	—	**51.5%**	51.5%	Provision of logistics services and general trading
Tempus (BVI) Properties Investment Limited	British Virgin Islands 6 October 2016	US$50,000	**100%**	100%	**—**	—	Investment holding
KK VII (BVI) Limited	British Virgin Islands 21 October 2015	US$100	**—**	—	**100%**	100%	Property investment
KK VIII (BVI) Limited	British Virgin Islands 21 October 2015	US$100	**—**	—	**100%**	100%	Property investment
KK II (BVI) Limited	British Virgin Islands 21 October 2015	US$100	**—**	—	**100%**	—	Property investment
Tempus Star (HK) Investment Limited	Hong Kong 9 June 2017	HK$1	**—**	—	**100%**	—	Investment holding
Shenzhen Tempus	PRC (Note) 24 November 2016	Registered and paid-up capital RMB120,000,000	**—**	—	**100%**	100%	Investment holding
深圳騰邦豪特商貿有限公司	PRC (Note) 24 November 2016	Registered capital RMB50,000,000	**—**	—	**100%**	100%	Inactive
珠海騰邦金躍投資有限公司	PRC (Note) 17 November 2017	Registered capital USD30,000,000 Paid-up capital USD9,400,000	**—**	—	**100%**	—	Investment holding
SZ Tempus Value Chain	PRC (Note) 11 July 2005	Registered and paid-up capital RMB52,631,579	**61.75%**	61.75%	**—**	—	Trading and distribution of cross-border consumer products, supply chain services and investment holdings
Qianhai Tengbang	PRC (Note) 13 October 2014	Registered and paid-up capital RMB50,000,000	**—**	—	**61.75%**	61.75%	Trading and distribution of cross-border consumer products, supply chain services

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
Shanghai Tengbang	PRC (Note) 3 December 2012	Registered and paid-up capital RMB10,000,000	**–**	–	**61.75%**	61.75%	Trading and distribution of cross-border consumer products, supply chain services
深圳市騰邦金牛車生活科技有限公司	PRC (Note) 1 September 2016	Registered capital RMB10,000,000	**–**	–	**61.75%**	61.75%	Inactive
惠州市惠天勤物流有限公司	PRC (Note) 14 July 2017	Registered capital RMB5,000,000	**–**	–	**61.75%**	61.75%	Inactive

Note:

These subsidiaries are wholly foreign-owned enterprises registered in the PRC.

Details of a non-wholly owned subsidiary that has material non-controlling interest

The table below shows details of a non-wholly owned subsidiary of the Company that has material non-controlling interest:

Name of subsidiary	Place of establishment	Proportion of ownership and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2017	2016	**2017**	2016	**2017**	2016
SZ Tempus Value Chain	PRC	**38.25%**	38.25%	**6,428**	5,968	**41,768**	33,158

Summarised financial information in respect of SZ Tempus Value Chain that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of a non-wholly owned subsidiary that has material non-controlling interest *(Continued)*

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Current assets	**141,632**	104,889
Non-current assets	**1,086**	1,070
Current liabilities	**(33,521)**	(19,271)
	109,197	86,688
Equity attributable to owners of the Company	**67,429**	53,530
Non-controlling interest	**41,768**	33,158
	109,197	86,688
Revenue	**234,863**	187,815
Expenses	**(218,058)**	(172,212)
Profit for the year	**16,805**	15,603
Profit attributable to owners of the Company	**10,377**	9,635
Profit attributable to the non-controlling interest	**6,428**	5,968
Profit for the year	**16,805**	15,603
Other comprehensive income attributable to owners of the Company	**4,468**	421
Other comprehensive income attributable to non-controlling interests	**2,767**	260
Other comprehensive income for the year	**7,235**	681

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of a non-wholly owned subsidiary that has material non-controlling interest *(Continued)*

	31.12.2017	31.12.2016
	HK$'000	HK$'000
Total comprehensive income attributable to owners of the Company	**14,845**	10,055
Total comprehensive income attributable to non-controlling interest	**9,195**	6,228
Total comprehensive income for the year	**24,040**	16,283
Net cash (outflow) inflow from operating activities	**(49,170)**	4,399
Net cash inflow from investing activities	**256**	68
Net cash outflow from financing activities	**(1,530)**	(38,851)
Net cash outflow	**(50,444)**	(34,384)

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash from financing activities.

	Obligations Under finance lease HK$'000	Bank borrowings HK$'000	Convertible notes HK$'000	Senior note HK$'000	Amount due to an intermediate holding company HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 January 2017	7,145	153,622	—	—	686	—	161,453
Financing cash flows	(3,090)	(7,414)	155,213	99,292	(41,972)	(1,530)	200,499
Non-cash changes							
Finance cost recognised	384	3,111	13,927	1,159	—	—	18,581
Additions of property, plant and equipment	946	—	—	—	—	—	946
Dividend declared by SZ Tempus Value Chain as defined in note 2	—	—	—	—	—	1,530	1,530
Gain on fair value change of derivatives embedded in convertible notes	—	—	(9,462)	—	—	—	(9,462)
Acquisition of entities under common control	—	—	—	—	56,618	—	56,618
At 31 December 2017	**5,385**	**149,319**	**159,678**	**100,451**	**15,332**	**—**	**430,165**

46. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2017, Tempus OTO (Shenzhen) exercised the conversion right attached to the Loan of RMB25,000,000 (equivalent to approximately HK$28,230,000 at grant date and approximately HK$30,019,000 at conversion date) and acquired 12.5% equity interest in Shanghai Pinzhi in lieu of the settlement of the Loan. Details are disclosed in note 20.

47. EVENTS AFTER THE REPORTING PERIOD

On 12 October 2017, the Company, Yundongli Electronic Commerce Company Limited 雲動力(天津)電子商務有限公司 ("Yundongli")) and independent third parties ("YDL Vendors") entered into an agreement, pursuant to which (i) YDL Vendors have conditionally agreed to transfer, and the Company has conditionally agreed to purchase or to procure its nominee to purchase, the registered capital of RMB1,000,000 of Yundongli, representing 8.0% of the enlarged equity interest of Yundongli upon the completion of subscription as mentioned below, at a consideration of RMB40,000,000; and (ii) the Company has conditionally agreed to subscribe for RMB500,000 new registered capital to be issued by Yundongli, representing 4.0% of the enlarged equity interest of Yundongli, at a consideration of RMB20,000,000. Yundongli is principally engaged in the business of online trading on third party online platforms. Deposit of RMB30,000,000 (equivalent to approximately HK$36,023,000) has been paid as at 31 December 2017. The transaction was completed on 16 January 2018. Upon completion of the transaction, the Company holds 12.0% of the enlarged equity interest of Yundongli and is accounted for as an associate of the Company as the Company has a right to appoint one director out of seven directors in the board of directors of Yundongli who is responsible for making decision over the relevant activities of Yundongli.

Details of the transaction are set out in the announcements published by the Company dated 12 October 2017 and 16 January 2018.

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December		Nine months ended 31 December	Year ended 31 March	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Revenue	**834,288**	659,549	335,388	389,692	339,700
Cost of sales	**(535,844)**	(376,007)	—	—	—
Gross profit	**298,444**	283,542	335,388	389,692	339,700
Other income	**20,691**	8,154	5,134	10,096	10,126
Other gains and losses	**54,511**	(676)	(5,918)	(771)	541
Changes in inventories of finished goods	**—**	—	12,925	1,201	7,268
Finished goods purchased	**—**	—	(124,218)	(134,632)	(120,305)
Share of results of Joint Ventures	**(682)**	—	—	—	—
Share of results of associates	**(2)**	—	—	—	—
Selling and distribution expenses	**(224,564)**	(205,014)	—	—	—
Administrative expenses	**(88,495)**	(79,281)	—	—	—
Staff costs	**—**	—	(70,030)	(79,823)	(71,046)
Depreciation expense	**—**	—	(6,325)	(7,826)	(6,827)
Finance costs	**(18,581)**	(582)	(260)	(412)	(344)
Other expenses	**—**	—	(130,321)	(161,526)	(147,416)
Profit before tax	**41,322**	6,143	16,375	15,999	11,697
Income tax expense	**(9,822)**	(8,294)	(4,156)	(3,862)	(2,975)
Profit/(loss) for the year/period	**31,500**	(2,151)	12,219	12,137	8,722

ASSETS, LIABILITIES AND EQUITY

	At 31 December			At 31 March	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000	HK$'000
TOTAL ASSETS	**1,048,855**	728,444	668,386	346,315	333,843
TOTAL LIABILITIES	**566,013**	240,414	107,192	68,701	63,269
TOTAL EQUITY	**482,842**	488,030	561,194	277,614	270,574