TEMPUS
騰邦控股

騰邦控股有限公司
Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06880

ANNUAL REPORT
2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhong Baisheng *(Chairman)*
(Re-designated on 1 March 2019)
Mr. Li Dongming *(Chief Executive Officer)*
Mr. Huang Jingkai *(Vice-chairman)*
Mr. Yip Chee Lai, Charlie

Independent non-executive Directors

Mr. Han Biao
Mr. Wong Lit Chor, Alexis
Mr. Li Qi

COMPANY SECRETARY

Mr. Tam Ka Tung

AUDIT COMMITTEE

Mr. Wong Lit Chor, Alexis *(Chairman)*
Mr. Han Biao
Mr. Li Qi

REMUNERATION COMMITTEE

Mr. Han Biao *(Chairman)*
Mr. Li Dongming *(appointed on 16 April 2018)*
Mr. Huang Jingkai *(appointed on 16 April 2018)*
Mr. Wong Lit Chor, Alexis
Mr. Li Qi

NOMINATION COMMITTEE

Mr. Han Biao *(Chairman)*
Mr. Wong Lit Chor, Alexis
Mr. Li Qi

AUTHORISED REPRESENTATIVES

Mr. Li Dongming
Mr. Huang Jingkai
Mr. Tam Ka Tung *(alternate authorised representative to Mr. Li Dongming)*

COMPANY WEBSITE

www.tempushold.com

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Moore Stephens CPA Limited
Certified Public Accountants
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

HONG KONG LEGAL ADVISER

Morrison & Foerster
33/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation 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 (6880.HK), member of the Tempus Group, listed on the main board of the HKEx in 2011. As Tempus Group's key overseas capital operation platform, Tempus Holdings adheres to the concept of parallel development of industry and investment, focusing on two major business segments - healthcare and logistics, and striving to achieve the overall strategic objective "develop global value chain, build large consumer ecosystem".

Tempus Holdings has been devoting itself to explore new business in the section of logistics in recent years. Through a series of investment and mergers and acquisitions, Tempus Holdings has become a full-scope logistics service enterprise, which integrates warehousing and transportation, supply chain finance, trading and internet platforms. The "OTO", founded in 1978, is the flagship brand under Tempus Holdings' healthcare business and one of the market leaders of health and wellness products. OTO has established comprehensive sales network in PRC, Hong Kong, Macau, Singapore, Malaysia, etc. Along with sound international reputation, OTO products also reach the rest of the world through export.

FINANCIAL HIGHLIGHTS

	2018	2017	Changes
Profitability data *(HK$'000)*			
Revenue	**885,931**	834,288	6.2%
Gross profit	**262,294**	292,850	(10.4%)
(Loss)/profit before tax	**(25,400)**	41,322	(161.5%)
(Loss)/profit after tax for the year	**(30,894)**	31,500	(198.1%)
(Loss)/earnings per share —			
basic and diluted *(HK cents)*	**(0.10)**	0.07	(242.9%)
Gross profit margin	**29.6%**	35.1%	(5.5 ppt)
(Loss)/profit before tax margin	**(2.9%)**	5.0%	(7.9 ppt)
Dividend per share *(HK cents)*			
— final dividend	**—**	2.3	(100.0%)

	As at 31 December		
	2018	2017	**Changes**
Assets and liabilities data *(HK$'000)*			
Bank balances and cash	**134,467**	135,122	(0.5%)
Bank borrowings	**293,725**	149,319	96.7%
Net current assets	**9,242**	16,547	(44.1%)
Total assets less current liabilities	**616,002**	576,459	6.9%
Assets and working capital ratios/data			
Current ratio *(times)*	**1.0**	1.0	—
Gearing ratio *(%)*	**48.2**	39.6	8.6
Inventories turnover days *(days)*	**21.4**	24.9	(3.5)
Trade receivables turnover days *(days)*	**69.2**	57.1	12.1
Trade payables turnover days *(days)*	**35.6**	32.4	3.2

Notes for key ratio:

Gross profit	Revenue — Cost of sales
(Loss)/earnings per share	(Loss)/profit attributable to shareholders/Weighted average number of ordinary shares
Current ratio	Current assets/Current liabilities
Gearing ratio	Total borrowings/Total assets x 100%
Inventories turnover days	Average of beginning and ending inventories 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,

In 2018, the external environment was complicated and diversified. After a period of rapid growth, the Chinese economy began to enter a phase of quality-driven transformation and development. The financial environment and the market had undergone a significant change. The state implemented financial regulatory reforms, and the "de-leveraging" policy was carried forward vigorously. Tightening was seen in the aspect of money supply, and enterprise operation faced enormous challenges. Internationally, the Sino-US trade war had intensified the impact of uncertainty on the economy. The negative sentiment caused by the downturn in the stock market and the bond market as well as the fluctuation in the exchange rates was continuously heightened.

Affected by the above reasons, the growth of the Company's main business was under pressure, and its investment and financing activities were greatly affected, resulting in a loss in the annual operating results. Nevertheless, while the general environment of the business environment is encountering a "cold winter", the Company continued to focus on its core business, actively explored the business opportunities arising from investment M&A projects, and expanded and integrated the quality resources on the industrial chain by penetrating into the various segments of the cross-border commerce and logistics businesses. Through a series of strategic layouts such as the establishment of a cross-border commerce and logistics service platform, the further acquisition of a 17% equity interest in the high-quality logistics supply chain business, Shenzhen Tempus Value Chain Co., Ltd.* (深圳市騰邦價值鏈股份有限公司), and investment in the import and export e-commerce project of Chongqing Global E-commerce Co., Ltd.* (重慶格洛博電子商務有限公司), a solid foundation for the continuous optimisation and growth of our business will be laid.

With respect to the main business, the health business based on "OTO" continued to bring stable revenue to the Company, and continued to reform and innovate in aspects such as products, marketing and channels so as to make continuous improvements. In 2018, "OTO" launched "OTO Prestige", "Q seat Foot Massager" and a series of wireless massage products, which received enthusiastic responses from the market and made considerable contributions to the operating income this year. The Company achieved stable economic growth and initial results in the refined operation of the logistics and commerce business. While introducing professional business talents, the Company optimised its training and performance management system, and upgraded the logistics operation and business systems. The diversified layout of customers and the industry provided a sustainable foundation for our business in the future.

Looking ahead in 2019, the general trend of a stabilising economic growth will still persist, and the overall situation is a test. The Company will speed up the recovery of invested projects in order to retrieve funds, reduce the debt ratio in a reasonable fashion, and ensure a sound and stable state of capital operations. Meanwhile, the Company will continue to reinforce and expand its main business, including further strengthening the refined and systematic management of its business within the system, strengthening cost management and control, exploring and enhancing the value of existing customers and channels, further expanding cross-border commerce business and logistics service projects, strengthening resource synergy, and improving operational efficiency. Against the backdrop of the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Company will actively leverage the advantages of the business within the system and capture new business growth opportunities.

In the face of the new year of 2019 in which difficulties and opportunities coexist, the management team of the Company, with firm determination, will persist in practicing the Company's strategy and strive to further enhance and strengthen the Company's market competitiveness and resilience to ensure the stable and sustained development of the Company, and devote full efforts to bringing greater values and returns to shareholders.

Zhong Baisheng
Chairman and Executive Director
Hong Kong, 29 March 2019

* *For identification purposes only*

BUSINESS REVIEW

In 2018, the revenue of Tempus Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") was HK$885.9 million, increased by 6.2% as compared to HK$834.3 million in 2017. The Group recorded a loss for the year of HK$30.9 million, as compared to the profit of HK$31.5 million in 2017. The increase in revenue was mainly due to the increase in revenue generated from trading and logistics segment, which was partially offset by the slight decrease in the revenue of sales of health and wellness products segment. The turn from profit to loss for the year was mainly attributable to the significant increases in administrative expenses and finance costs.

SALES OF HEALTH AND WELLNESS PRODUCTS BUSINESS

For the year ended 31 December 2018, sales of massage chairs and other massage/fitness/diagnostics products were HK$261.3 million and HK$143.4 million, respectively, representing 64.6% and 35.4% of the Group's total revenue from the sales of health and wellness products business, respectively.

In 2018, the Group launched a total of 35 new products, generating revenue of HK$114.5 million, representing 28.3% of the Group's revenue from the sales of health and wellness products business. The Group also engaged Ms. Eliza Sam as spokesperson for a high-end massage chair and a foot massage product, respectively contributing 11.8% and 14.7% of revenue generated from the new products.

Sales Channels

The Group keeps strengthening its sales channels and expanding its geographical market coverage. The diversified sales channels of the Group comprise (i) traditional sales channels including retail outlets at shopping malls and department stores; and (ii) proactive sales channels including roadshow counters, corporate sales, international sales and internet sales.

The table below shows the revenue breakdown of each sales channel. The downward trend in the traditional retail sales reveals the urgency of diversification of sales channel and further optimisation of existing physical retail network:

	2018		2017		**Changes**	
		% of		*% of*		
	HK$'000	***revenue***	*HK$'000*	*revenue*	*HK$'000*	*%*
Retail outlets	**259,604**	**64.1**	283,561	68.6	(23,957)	(8.4)
Roadshow counters	**38,451**	**9.5**	40,804	9.9	(2,353)	(5.8)
Corporate sales	**71,365**	**17.7**	61,405	14.8	9,960	16.2
International sales	**13,357**	**3.3**	13,961	3.4	(604)	(4.3)
Internet sales	**21,907**	**5.4**	13,814	3.3	8,093	58.6
Total	**404,684**	**100.0**	413,545	100.0	(8,861)	(2.1)

(i) Traditional sales channels

The Group's revenue generated from traditional sales channels was HK$259.6 million in 2018, representing 64.1% of the Group's overall revenue from the sales of health and wellness products business, and a decrease of 8.4% as compared to HK$283.6 million in 2017. The decrease was mainly due to (i) weakening of consumer sentiment amid the slowing down of China's economic growth; (ii) continued deterioration in traditional retail ecology as a result of the booming of the e-commerce; and (iii) the Group's intended restraint on the growth in number of outlets as part of the retail outlet optimisation measures. As at 31 December 2018, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at	
	31 December 2018	31 December 2017
Mainland China	**112**	102
Hong Kong and Macau	**24**	24
Singapore and Malaysia	**16**	17
Total	**152**	143

The increase in the number of outlets in Mainland China was mainly due to more outlet optimisation and relocations taken place in the fourth quarter of 2018, leading to an overlap between new outlets and the retreating outlets as at 31 December 2018.

Retail business in the Mainland China

As at 31 December 2018, the Group operated 112 retail outlets in the Mainland China, mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei regions and Chengdu. During the year, the revenue contributed by retail business in the Mainland China was HK$114.0 million, representing a decrease of 24.6% as compared to HK$151.1 million in 2017. The reasons for the decrease have been discussed in the preceding paragraphs.

Retail business in Hong Kong and Macau

As at 31 December 2018, the Group maintained 24 retail outlets in Hong Kong and Macau. During the year, the revenue contributed by the retail business in the region was HK$113.6 million, representing a decrease of 21.1% as compared to HK$144.0 million in 2017. The decrease in revenue in the region was mainly due to the depreciation of Renminbi against Hong Kong dollar, discouraging the consumption of the tourists from the Mainland China.

Retail business in Singapore and Malaysia

As at 31 December 2018, the Group operated 16 retail outlets in Singapore and Malaysia. During the year, the revenue contributed by retail business in the region was HK$32.0 million, representing an increase of 9.6% as compared to HK$29.2 million in 2017. The increase in revenue in the region was mainly due to the increase in sales volume of retail stores in Singapore during the 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.

Roadshow counters of the Group are promotional and non-permanent counters which the Group operated in different department stores and shopping malls from time to time. The reasons of the decrease of 5.8% in revenue from roadshow counters were in line with that of the decrease in revenue generated from traditional retail channel.

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. The increase of 16.2% in revenue from corporate sales was mainly due to more corporate sales projects in Macau during the year.

International sales of the Group are generated by 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. The revenue generated from international sales remained stable during the year.

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 significant increase of 58.6% in revenue from internet sales was mainly attributable to the rapid development of general e-commerce environment in the Mainland China.

TRADING AND LOGISTICS BUSINESS

In 2018, the revenue generated from trading and logistics business reached HK$481.2 million, representing 54.3% of the total revenue of the Group. The table below shows the revenue breakdown of each service of the segment by nature.

	2018		2017		**Changes**	
		% of		*% of*		
	HK$'000	***revenue***	*HK$'000*	*revenue*	*HK$'000*	*%*
Trading	**144,071**	**30.0**	152,545	36.3	(8,474)	(5.6)
Transportation	**296,525**	**61.6**	237,267	56.4	59,258	25.0
Warehouse and others	**40,651**	**8.4**	30,931	7.3	9,720	31.4
Total	**481,247**	**100.0**	420,743	100.0	60,504	14.4

The Group's trading business represents trading of goods such as personal consumables. The decrease of 5.6% in revenue generated from trading was mainly due to several unfavourable economic events during the year, which had adverse effect on this sector.

Transportation services represent delivery and distribution of goods for customers. Warehouse and other services include warehousing, loading and unloading and storage management services. The increases of 25.0% and 31.4% in revenue generated from transportation services and warehouse and other services were mainly due to rapid business growth driven by the additions of several large customers during the year.

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

RESULTS OF OPERATION

Revenue

Revenue represents the income from sales of health and wellness products, trading of consumer goods and provision of logistics services. In 2018, the Group's total revenue increased by 6.2% to HK$885.9 million from HK$834.3 million in 2017. The increase was mainly attributable to the increase in revenue generated from trading and logistics business of 14.4%, which was slightly offset by the decrease in revenue generated from sales of health and wellness products business of 2.1%.

	2018		2017		**Changes**	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	*HK$'000*	*%*
Sales of health and wellness products	**404,684**	**45.7**	413,545	49.6	(8,861)	(2.1)
Trading and logistics	**481,247**	**54.3**	420,743	50.4	60,504	14.4
Total	**885,931**	**100.0**	834,288	100.0	51,643	6.2

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 2018 was HK$623.6 million, representing an increase of 15.2% from HK$541.4 million for 2017. The increase in cost of sales was mainly due to the increase in cost of trading and logistics business.

Gross profit

The gross profits for 2018 and 2017 were HK$262.3 million and HK$292.9 million, respectively. The gross profit margins for 2018 and 2017 were 29.6% and 35.1%, respectively, representing a decrease of 5.5 ppt. The table below sets out the gross profit margins by business segment. The slight increase in gross profit margin of sales of health and wellness products segment was mainly due to change of product mix whilst the decrease in that of trading and logistics segment was mainly due to the decrease in margin of the trading business.

Gross profit margin by segment

	2018	2017	**Changes**
Sales of Health and wellness products	**55.0%**	52.9%	2.1 ppt
Trading and logistics	**8.2%**	17.7%	(9.5 ppt)
Overall	**29.6%**	35.1%	(5.5 ppt)

Other income

Other income for 2018 was HK$23.1 million, mainly comprising rental income of HK$11.0 million and interest income of HK$5.4 million. 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 gains and losses

Other gains and losses for 2018 was a gain of HK$57.8 million, mainly comprising a gain on fair value change of investment properties of HK$34.2 million and a gain on fair value change of derivative embedded in convertible bonds of HK$15.8 million. Other gains and losses for 2017 was a gain of HK$54.5 million, which mainly comprised a gain on fair value change of investment properties of HK$40.8 million, a gain on fair value change of derivatives embedded in convertible bonds of HK$9.5 million and net exchange gain of HK$3.2 million.

Impairment losses on financial assets

Impairment losses on financial assets of HK$ 3.2 million for 2018 (2017: nil) represented the impairment losses on trade receivables of the trading and logistics segment and loans receivable of HK$1.2 million and HK$2.0 million, respectively.

Share of results of joint ventures

Share of results of joint ventures for 2018 was a gain of HK$0.5 million (2017: a loss of HK$0.7 million), representing the Group's share of profit 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)) ("**Yantai Fund**") and TBRJ Asset Management Limited.

Share of results of associates

Share of results of associates for 2018 was a gain of HK$3.1 million (2017: minimal), mainly representing the Group's share of profit from an associate, Yundongli (Tianjin) Electronic Commerce Company Limited* (雲動力(天津)電子商務有限公司) ("**Yundongli**").

Selling and distribution expenses

Selling and distribution expenses decreased from HK$219.0 million for 2017 to HK$197.3 million for 2018. The decrease were mainly attributed to the decreases in staff costs of HK$11.0 million, rental expenses of HK$9.6 million and advertising expenses of HK$12.0 million.

Administrative expenses

Administrative expenses increased from HK$88.5 million for 2017 to HK$113.3 million for 2018. The increase was primarily due to the increases in staff costs of HK$14.8 million, professional fees of HK$8.5 million and travelling expenses of HK$0.6 million.

Finance costs

Finance costs significantly increased to HK$58.4 million for 2018 from HK$18.6 million for 2017. The significant increase was mainly due to (i) increase of average borrowing throughout the year of approximately HK$273.3 million, including convertible bonds, fixed term loan and revolving loan; and (ii) accounting treatment of the interest expense of convertible bonds being the amortised cost at an effective interest rate, which is much higher than actual interest incurred.

(Loss)/profit before tax

As a result of the factors described above, the Group's loss before tax was HK$25.4 million for 2018, as compared to the profit before tax of HK$41.3 million for 2017.

Income tax expense

Income tax expense was HK$5.5 million for 2018 and HK$9.8 million for 2017. The decrease was mainly attributed to less profit subject to income tax in 2018.

(Loss)/profit for the year

As a result of the factors described above, the Group's loss for the year was HK$30.9 million for 2018, as compared to a profit of HK$31.5 million for 2017.

FINANCIAL POSITION

As at 31 December 2018, total equity of the Group was HK$450.3 million (as at 31 December 2017: HK$482.8 million). The decrease was mainly due to the loss for the year and the decrease in capital reserve.

As at 31 December 2018, the Group's net current assets was HK$9.2 million (as at 31 December 2017: HK$16.5 million). The current ratio was 1.0 time as at 31 December 2018 (as at 31 December 2017: 1.0 time).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had bank balances and cash of HK$134.5 million (as at 31 December 2017: HK$135.1 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 People's Republic of China ("**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$42.6 million for 2018 (2017: HK$25.3 million), primarily reflecting the operating cash outflows before movements in working capital of HK$13.2 million, as adjusted by an increase of HK$3.6 million in inventories, an increase of HK$19.2 million in trade, bills and other receivables and a decrease of HK$10.8 million in trade and other payables.

Investing activities

Net cash generated from investing activities was HK$11.6 million for 2018 (2017: HK$273.1 million used in investing activities), primarily consisted of proceeds from disposal of financial assets at fair value through profit or loss of HK$48.6 million and proceeds from disposal of an associate of HK$32.5 million.

Financing activities

Net cash generated from financing activities was HK$42.4 million for 2018 (2017: HK$200.5 million), which was primarily due to additions of bank borrowings of HK$189.1 million during the year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 December 2018 was HK$541.7 million with effective interest rate ranging from 2.1% to 10.0% per annum. The Group's gearing ratio increased by 8.6 ppt from 39.6% as at 31 December 2017 to 48.2% as at 31 December 2018, which was primarily due to increases in bank borrowings of HK$144.4 million and convertible bonds of HK$32.6 million at the year end.

Company's recent senior note redemption plan might be affected by the delay of payment of the last instalment of the consideration in relation to the disposal of 12% equity interest of Yundongli to a certain extent. Nevertheless, the Company's current working capital is sufficient for the redemption. For details, please refer the Company's announcement dated 28 March 2019.

WORKING CAPITAL

As at 31 December 2018, the net working capital of the Group was HK$9.2 million, which represented a decrease of HK$7.3 million or 44.2% as compared to HK$16.5 million as at 31 December 2017. The increase in short-term bank borrowings of HK$57.0 million has led to the decrease in net working capital at the year end.

As at 31 December 2018, the Group's inventories increased by HK$2.8 million to HK$38.0 million from HK$35.2 million as at 31 December 2017. The inventories turnover days was 21.4 days as at 31 December 2018 as compared with 24.9 days as at 31 December 2017. The decrease of 3.5 days in inventories turnover days were primarily due to improved inventories control and logistics management.

As at 31 December 2018, the Group's trade receivables decreased by HK$19.7 million, to HK$158.2 million from HK$177.9 million as at 31 December 2017. The decrease was due to better control of collection of trade receivables in the trading and logistics business. The trade receivables turnover days was 69.2 days, represented an increase of 12.1 days from 57.1 days as at 31 December 2017. The increase was mainly attributed to the significant increase in the average balance of trade receivables of 2018 as compared to that of 2017.

As at 31 December 2018, the Group's trade payables decreased by HK$1.9 million to HK$59.9 million from HK$61.8 million as at 31 December 2017. The trade payables turnover days increased by 3.2 days to 35.6 days from 32.4 days as at 31 December 2017. The increase in trade payables turnover days was mainly due to longer settlement period to the suppliers in the segment of logistics.

CAPITAL EXPENDITURE

During the year ended 31 December 2018, the Group's total capital expenditure amounted to HK$28.8 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 December 2018, 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$399.9 million for the purpose of securing certain banking and other facilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Disposal of investment in Shanghai Pinzhi

On 13 January 2017, the Group subscribed a 1-year term loan of Shanghai Pinzhi Medical Technology Development Co. Ltd.* (上海品智醫療技術發展有限公司) (formerly known as 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 Fund, 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. All conditions precedent have been fulfilled and the completion of the disposal took place on 25 June 2018. In compliance with HKFRS 9, the intrinsic gain (before tax) of RMB25,000,000 from the disposal was credited to the retained profits and deferred tax liabilities, rather than profit or loss. For details, please refer to Company's announcements dated 13 January 2017, 22 December 2017 and 25 June 2018.

Participation in formation of Guangdong Shucheng

On 26 April 2018, the Group entered into a shareholders' agreement with eight leading supply chain enterprises or its subsidiaries in the PRC (comprising Shenzhen Easttop Supply Chain Management Co., Ltd.* (深圳市東方嘉盛供應鏈股份有限公司), Shenzhen Feima International Supply Chain Co., Ltd* (深圳市飛馬國際供應鏈股份有限公司), Shenzhen China South City Investment Co., Ltd*(深圳華南城投資有限公司), Shenzhen China Brilliant Investment Holding Co., Ltd* (深圳市朗華投資控股有限公司), Shenzhen Prolto Supply Chain Management Co., Ltd.*(深圳市普路通供應鏈管理股份有限公司), Shenzhen S.F. Investment Co., Ltd.* (深圳市順豐投資有限公司), Shenzhen Eternal Asia Supply Chain Management Co., Ltd.* (深圳市怡亞通供應鏈股份有限公司), and Shenzhen YH Global Supply Chain Co., Ltd.* (深圳越海全球供應鏈有限公司)), in relation to the formation of the joint venture engaging in supply chain big data business, namely Guangdong Shucheng Technology Co., Ltd.* (廣東數程科技有限公司) ("**Guangdong Shucheng**") pursuant to which, the Group agreed to contribute approximately RMB11,111,000 to Guangdong Shucheng, representing approximately 11.11% of the total share capital of the Guangdong Shucheng. On 7 September 2018, the Group fulfilled the commitment of capital contribution. As at 31 December 2018, capital contribution to Guangdong Shucheng is outstanding from two shareholders, therefore the Group shares 14.3% of the net assets of Guangdong Shucheng, which is equivalent to its proportion of capital contribution as at 31 December 2018. For details, please refer to Company's announcement dated 26 April 2018.

Investment in 7% equity interest in Geluobo

On 8 August 2018, the Group, by way of capital injection, acquired 7% of the enlarged equity interest in Chongqing Global E-commerce Co., Ltd.* (重慶格洛博電子商務有限公司) ("**Geluobo**") for a consideration of RMB10,500,000. The investment in Geluobo was accounted for as fair value through profit or loss. Geluobo is a fast-growing e-commerce company selling fast fashion accessories through major social media platforms and its own website in South East Asia region. Since all applicable percentage ratios in relation to this investment were below 5%, the Company did not publish an announcement for the investment.

Further acquisition of 17% equity interest in SZ Tempus Value Chain

On 30 November 2017, the Group acquired 61.75% equity interest of Shenzhen Tempus Value Chain Co. Ltd.* (深圳市騰邦價值鏈股份有限公司) ("**SZ 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. SZ Tempus Value Chain became a non-wholly owned subsidiary of the Company. Given that both the Group and SZ Tempus Value Chain were under the common control of Tempus Logistics, the Company adopted merger accounting to account for the acquisition. On 12 October 2018, the Group further acquired 17% equity interest in SZ Tempus Value Chain from Shenzhen Tengbang Value Chain Equity Investment Partnership Corporation (limited partnership)* (深圳騰邦價值鏈股權投資合夥企業(有限合夥)), an associate of Mr. Zhong Baisheng, chairman of the Board and executive Director, for a cash consideration of HK$17,000,000. The Company's aggregate percentage holding in SZ Tempus Value Chain has increased to 78.75%. For details, please refer to Company's announcements dated 26 May 2017, 14 July 2017, 30 November 2017, and 12 October 2018 and circular dated 23 June 2017.

Disposal of Investment in Yundongli

On 12 October 2017, the Company's wholly owned subsidiary, Zhuhai Tempus Jinyue Investment Limited* (珠海騰邦金躍投資有限公司) ("**Tempus Jinyue**"), conditionally acquired 12.0% of the enlarged equity interest in Yundongli through equity transfer from existing shareholders of Yundongli and capital injection for a total consideration of RMB60,000,000. The transactions were completed on 16 January 2018. The Group had become interested in 12.0% of the equity interest of Yundongli and accounted for such investment as an associate of the Company since then. On 29 December 2018, the Group fully disposed the 12.0% of the equity interest of Yundongli to Mr. Wang Xiaowei (王嘯巍) ("**Mr. Wang**"), Mr. Peng Biao (彭彪) and Tianjin Yuncheng Corporate Management LLP* (天津市雲橙企業管理合夥企業(有限合夥)) (together, the "**Buyers**"), for a consideration of RMB67,220,000. Accordingly, Yundongli ceased to be an associate of the Company. The gain on disposal was RMB1,933,000. On 27 March 2019, Tempus Jinyue, the Buyers, and Yundongli entered into a supplemental agreement to the original repurchase agreement (the "**Supplemental Agreement**") to extend the payment schedule of the consideration. On 27 March 2019, Tempus Jinyue also entered into an equity interest pledge agreement with Mr. Wang pursuant to which Mr. Wang agreed to pledge a total of 12% equity interest in Yundongli held by him in favour of Tempus Jinyue as security for the Buyers' fulfilment of their payment obligation under the Supplemental Agreement. For details, please refer to Company's announcements dated 12 October 2017, 16 January 2018, 28 December 2018, 2 January 2019 and 28 March 2019.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Saved as disclosed in note 48 to the consolidated financial statements in this annual report, there are no important events affecting the Group after the end of the year.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018 and 31 December 2017.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 December 2018, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB75,311,000 (equivalent to approximately HK$85,756,000), and in United States dollar of approximately US$751,000 (equivalent to approximately HK$5,825,000). The Group does not use any derivative financial instruments 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 annual 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 2018, the Group had a total number of 765 (as at 31 December 2017: 773) full-time employees. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option scheme of the Company. The Group determined 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 60 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 note that a chain of adverse events since the first quarter of 2018, such as the further slowing down of China's economy, outbreak of Sino-US trade war and intense fluctuation in financial markets, has been continuously undermining the overall business environment and consumers sentiment across the Asia Pacific region, especially Mainland China and Hong Kong. As a result, the Company's business operation and financing and investment activities were affected to certain extent. However, the Group will implement the following key measures to cope with the challenges: (i) reducing the finance cost through early repayment of the high-interest loans; (ii) disposal of certain non-core assets to strengthen the Group's liquidity; and (iii) optimising the operation efficiency in existing main businesses.

USE OF PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS

The use of proceeds from the issue of convertible bonds in 2018 is set out in the table below:

Date	Event	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds
1 June 2018	Issue of convertible bonds due in May 2019 in the principal amount of HK$160 million under the general mandate granted on 26 May 2017	HK$157.7 million	To use the net proceeds for working capital, refinancing and general corporate purposes	Fully used as intended
16 October 2018	Issue of convertible bonds due in October 2019 in the principal amount of HK$30 million under the general mandate granted on 16 May 2018	HK$29.5 million	To use the net proceeds for investment, working capital, refinancing and general corporate purposes	Fully used as intended

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present this Environmental, Social and Governance Report (the "**ESG Report**") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This ESG Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") – "Environmental, Social and Governance Reporting Guide" and has complied with the "comply or explain" provisions in the Listing Rules.

This ESG Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which include the business of (i) sales of health and wellness products; (ii) trading and distribution of consumer products, and (iii) provision of logistic services in the People's Republic of China (the "**PRC**"), Hong Kong ("**HK**"), Singapore and Malaysia. With the aim to optimise and improve the disclosure requirements in the ESG Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This ESG Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This ESG Report demonstrates our sustainability initiatives during the reporting period from 1 January 2018 to 31 December 2018.

Contact Information

The Group welcomes your feedback on this ESG Report for our sustainability initiatives. Please contact us at +852 2543-6880.

INTRODUCTION

The Group 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). The Group's trading business represents trading of commodities such as personal consumables. Transportation services represent delivery and distribution of goods for customers. Warehouse and other service including warehousing, loading and uploading and storage management services.

The Group is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and the opinions from stakeholders. Sustainability is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor its operation risks relating to the environment and society. Details of the management's approaches to sustainable development of different areas are illustrated in this ESG Report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (i) have invested or will invest in the Group; (ii) have the ability to influence the outcomes within the Group; and (iii) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels	Measures
Government	– Comply with the laws – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual reports – Website	– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (e.g. accepted 1-2 on-site inspections throughout the year), and actively undertook social responsibilities

Stakeholders	Expectations	Engagement channels	Measures
Shareholders and Investors	– Low risk – Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Annual report, announcements	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars and two periodic reports in the year – Carried out different forms of investor activities with an aim to improve investors' recognition – Held results briefing once – Disclosed company contact details on website and in reports and ensured all communication channels are available and effective
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualisation – Health and safety	– Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need and organising employee activities
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Website, brochures – Email and customer service hotline – Regular meeting	– Established laboratory, strengthened quality management to ensure stable production and smooth transportation, and entered into long-term strategic cooperation agreements

Stakeholders	Expectations	Engagement channels	Measures
Suppliers/ Partners	– Long-term partnership – Honest cooperation – Fair, open – Information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process	– Invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the ESG Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the GRI Guidelines.

The Group have evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG area identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which is important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process being carried out in 2018, those ESG areas important to the Group were discussed in this ESG Report.

ENVIRONMENTAL ASPECTS

As a non-manufacturing enterprise, we do not have significant adverse impact on the environment, but still strive to make contribution to environment protection. For instance, we choose the contractors which use safe and environmental-friendly decoration materials. Environmental sustainability is becoming an increasingly effective way for businesses to differentiate themselves in a competitive market. The Group encourages operating business in an environmentally-responsible manner and commits to reduce the environmental impacts attributable to operations.

EMISSIONS

The Group complies with the Air Pollution Control Ordinance (Cap. 311) in HK, Environmental Protection Law of the People's Republic of China in PRC, Environmental Protection and Management (Vehicular Emissions) Regulations (Reg 6.) in Singapore and Environmental Quality (Clean Air) Regulations (2014) in Malaysia. During the reporting period, the Group had no material non-compliance regarding environmental issues.

Air Pollutant Emission

Emission control is essential to mitigate the adverse impact on environment and it also prevents human from suffering from diseases that are caused by air pollution. Operations of the Group do not result in significant air and gas emissions. Our air pollutants are mainly generated from the mobile sources. The increase in air pollutant emission in 2018 was mainly attributable to the increase in diesel fuel consumption by vehicles, as well as the increase in revenue generated from transportation services of the Group during the year.

The air pollutant emission during the reporting period is as follows:

Air Pollutants	Unit	**2018 Total**	2017 Total
Nitrogen oxides (NO_x)	kg	**2,108.76**	2,085.00
Sulfur dioxide (SO_2)	kg	**5.84**	4.00
Particular matter (PM)	kg	**157.55**	14.30

Greenhouse Gas ("GHG") Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. Energy consumption accounts for a major part of our GHG emission. No GHG emission are generated through stationary sources as the Group is not engaged in any industrial production. During the reporting period, our GHG emission scope 1 and scope 2 mainly came from mobile combustion and purchased electricity respectively. The increase in GHG emission in 2018 was mainly attributable to the increase in sales of health and wellness business, as well as the revenue generated from transportation services.

During the reporting period, the GHG emission was as follows:

GHG Emission[1]	Unit	**2018 Total**	2017 Total (Restated)
Scope 1[2]	tonnes of CO_2-e	**813.47**	714.27
Scope 2[3]	tonnes of CO_2-e	**578.35**	534.95
Total	tonnes of CO_2-e	**1,391.82**	1,249.22
Intensity	tonnes of CO_2-e/m^2	**0.07**	0.29

Note:

1 The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

2 Scope 1: Direct emission from sources that are owned or controlled by the Group.

3 Scope 2: Indirect emissions from purchased electricity consumed by the Group.

Hazardous and Non-hazardous Wastes

The Group does not generate hazardous waste. Non-hazardous wastes generated from the Group includes paper and plastic. The Group has implemented various environmental measures to reduce both hazardous and nonhazardous 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 would transfer 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 decrease in non-hazardous waste generated in 2018 was mainly attributable to the efficient implementation of the resource saving strategies during the year.

The wastes generated by the Group during the reporting period are as follows:

Waste Disposal	Unit	**2018** **Total**	2017 Total
Non-hazardous wastes produced			
Waste paper	kg	**1,428.91**	5,224.00
Intensity	kg/m^2	**0.08**	0.20

USE OF RESOURCES

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. For instance, when our retail outlets require decoration or renovation, we require the contractors to consider decoration materials that are safe and environmental-friendly.

Energy Consumption

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance. We are also exploring energy saving and green management measures for our facilities, and strive to reduce resource consumption as much as possible. The decrease in electricity consumption in 2018 was mainly attributable to the decrease in revenue generated from the Group's trading during the year. The increase in diesel consumption was due to the increase in revenue generated from transportation service during the year.

During the reporting period, the energy consumptions are as follows:

Energy	Unit	**2018** **Total**	2017 Total (Restated)
Purchased electricity	kWh in '000s	**856.28**	949.39
Petrol	kWh in '000s	**145.25**	168.45
Diesel	kWh in '000s	**3,145.64**	2,268.14
Total energy consumption	kWh in '000s	**4,147.17**	3,385.98
Intensity	kWh in '000s/m^2	**0.16**	0.11

Water Consumption

Water is another important natural resource. Other than the domestic water used in office, there is no other water requited during the Group's daily operation. The retail outlets and warehouses normally share the same potable water and drainage systems with shopping malls or properties. The decrease in water consumption in 2018 was mainly attributable to the Group's effort in conserving water with aforementioned water-saving strategies being implemented.

During the reporting period, the water consumption of our Group is as follows:

Water	Unit	**2018** **Total**	2017 Total
Water consumption	tonnes	**2,377.21**	5,458.00
Intensity	tonnes/m^2	**0.12**	0.20

THE ENVIRONMENT AND NATURAL RESOURCES

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 degree Celsius, encouraging duplex printing, recycling printed paper, reusing office supplies, etc. The Group also adopts the Enterprise Resources Planning (ERP) system to optimise resource allocation and management during procurement, logistics and sales of "OTO" products, thereby to reducing resources consumption.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group advocates culture diversity and racial equality. Equal opportunities are provided for each candidate and the Group does not discriminate applicants by their gender, age, race, religion, etc. during the recruitment process. Moreover, the Group strictly observes relevant laws and regulations in terms of prohibiting the employment of juveniles in countries or regions where its business operates. For instance, the Group complies with the Employment of Young Persons (Industry) Regulations in HK, Children and Young Person Act (CYPA) 2001 in Singapore, Children and Young Persons (Employment) Act 1966 in Malaysia and Child & Juvenile ("Young") Worker Regulations in the PRC. In addition, the employment contract specified the terms including compensation and dismissal, working hours, holiday and other welfare and benefits.

The adoption of these human resources policies and procedures also ensures the Group's compliance with the relevant labour laws and regulations where it operates, including Employment Ordinance in HK, Labour Law of the PRC, Employment Act in Singapore and Employment Act in Malaysia.

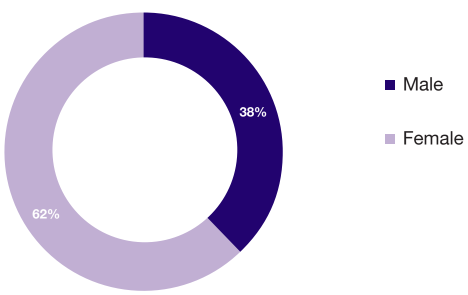
The Group provides competitive salaries to employees based on their qualifications, contributions and experience. The Group's performance appraisal mechanism allows the Group to dynamically adjust employee's salary and award bonuses based on their performance, experience, working attitude and the Group's performance. The Group's 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.

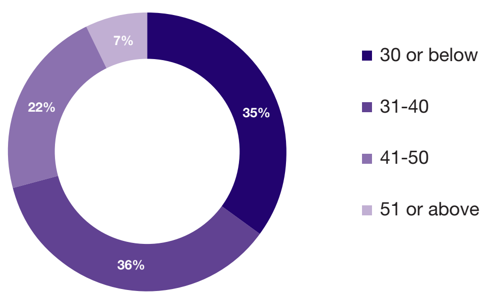
For its employees in HK, the Group participates in Mandatory Provident Fund ("**MPF**") Schemes in accordance with the MPF Schemes Ordinance in HK. The Group also participates in the Macau SAR's mandatory social security funds and makes contributions in accordance with the provisions in the Macau SAR Social Security System and provides employees compensation insurance to its employees. For 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 PRC, 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.

At the end of the reporting period, the Group had 765 employees located in HK, the PRC and overseas. Below is the employee breakdown by gender, age group, employment category and geographical region.

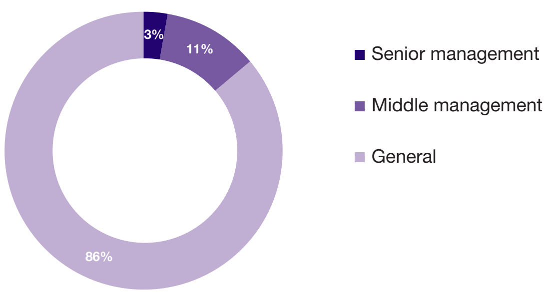
Gender



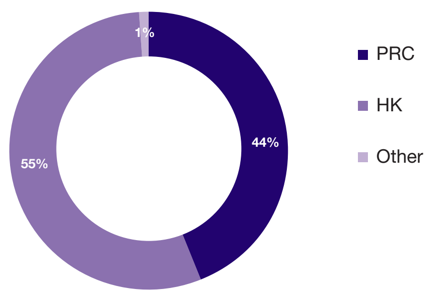
By Age Group



Employment Category



Geographical Region



HEALTH DEVELOPMENT AND TRAINING

The Group has always placed the highest priority on securing health and safety for our employees. The Group endeavours to provide a safe and healthy working environment for all employees to protect them from occupational injuries or accidents. To achieve this, the Group has implemented various measures, for example, providing medical insurance for our employees, cleaning air outlets regularly to reduce the dust level of indoor air and increase efficiency of the ventilation system and cleaning carpet regularly to prevent breeding of bacteria, fungi and mites. The Group complies with the Work Injury Compensation Act and Workplace Safety and Health Act in Malaysia and Singapore, Occupational Safety and Health Ordinance in HK and Occupational Safety and Health Act in the PRC.

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 vary 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 charge of marketing includes topics such as market status and trends, market behaviour, 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 working at 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 the hiring of experienced individuals to give lessons, participation in academic exchanges and expert lectures, onsite visits, participation in 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.

During the reporting period, 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.

In 2018, the detailed breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

Training	Percentage of employees trained (%)	Average training hours 2018 (hours/ employee)
By gender		
– Male	24	586
– Female	25	808
By employment category		
– Senior management	22	10
– Middle management	70	369
– General	19	1,015

LABOUR STANDARDS

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 its employees and also imports new impetus to contribute to the corporate's sustainable development. The Group strictly complies with the relevant laws and regulations, such as Employment Ordinance in HK, Labour Law of the PRC, Employment Act in Singapore and Employment Act (1995) in Malaysia and other relevant laws and regulations in countries or regions where its business operates. Through compliance with these laws and regulations, the Group has established an open, fair and impartial human resources operation system. During the reporting period, the Group was not aware of any child labour or forced labour-related cases.

OPERATING PRACTICES

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 standardisation, 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.

PRODUCT 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. From time to time, the Group arranges inspections of each stage of the production process at the production sites. 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.

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, calling the after-sales service hotline, or sending e-mail. For 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, no products and service-related complaints was received during the year.

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 in HK. 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.

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 laws in HK and the trademark law of the PRC 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 the laws and regulations to prevent infringing the trademark rights, patents and copyrights of third parties.

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

INFORMATION MANAGEMENT SYSTEM

The Group has standardised 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.

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 PRC and the Prevention of Bribery Ordinance in HK. 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. (騰邦集團有限公司)).

COMMUNITY

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 "妙思猛龍慈善跑2018" which was organised by the Hong Kong Network for the Promotion of Inclusive Society, the Hong Kong Racehorse Owners Association and the Lions Clubs International District 303 - Hong Kong & Macao, China.

ANNUAL AWARD

In 2018, the Group received awards from different organisations through the efforts from all employees. The Group was deeply honored and would continue making efforts to fulfill the expectations from the stakeholders.

The board (the "**Board**") of Directors (the "**Directors**") of the Company presents the annual report with the audited consolidated financial statements for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in sales and research and development of health and wellness products, trading and logistics business. The principal activities of its subsidiaries are set out in note 45 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 196 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 annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 79 to 87 of this annual report.

No interim dividend was paid by the Company (2017: Nil). The Board has resolved not to declare a final dividend for the year ended 31 December 2018 (2017: HK cents 2.3 per share).

DIVIDEND POLICY

The Company has adopted a dividend policy with retroactive from 1 January 2019. The dividend policy aims at enhancing transparency of the Company and facilitating the shareholders and investors of the Company to make informed investment decision relating to the Company. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with all applicable laws and regulations and subject to the articles of association of the Company (the "**Articles of Association**"). In deciding whether to declare any dividend, the Board will take into account a number of factors, including but not limited to the Group's financial performance, the distributable reserves, the operations and liquidity requirements, general economic conditions and other factors as the Board may consider relevant.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019 (both dates inclusive), during which period no transfer of the shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting ("**AGM**") of the Company to be held on Friday, 24 May 2019 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, 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 Monday, 20 May 2019.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 35 to the consolidated financial statements of this annual report.

Subsequent to the year end date, the Company repurchased a total of 616,000 ordinary shares of the Company at an aggregate purchase price of HK$678,720 on the Stock Exchange. All these repurchased ordinary shares were cancelled on 31 January 2019.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Convertible Bonds

On 1 June 2018, the Company issued convertible bonds due 2019 in the aggregate principal amount of HK$160,000,000 to an investor. The net proceeds were approximately HK$157,700,000. The Company has fully utilised the net proceeds for refinancing its indebtedness and general corporate purposes. 67,510,549 new shares, representing 19.30% of the total number of issued shares of the Company as at 31 December 2018, and 16.17% of the enlarged total number of issued shares immediately after full conversion of convertible bonds, may be issued upon full conversion of the convertible bonds based on the initial conversion price of HK$2.37 per share which is subject to certain adjustments as set out in the subscription agreement. For details, please refer to the Company's announcements dated 15 May 2018 and 1 June 2018.

On 16 October 2018, the Company issued convertible bonds due 2019 in the aggregate principal amount of HK$30,000,000 to an investor. The net proceeds were approximately HK$29,500,000. The Company has fully utilized the net proceeds for investment, refinancing its indebtedness and general corporate purposes. 23,510,971 new shares, representing 6.72% of the total number of issued shares of the Company as at 31 December 2018, and 6.30% of the enlarged total number of issued shares immediately after full conversion of convertible bonds, may be issued upon full conversion of the convertible bonds based on the initial conversion price of HK$1.276 per share which is subject to certain adjustments as set out in the subscription agreement. For details, please refer to the Company's announcements dated 9 October 2018 and 16 October 2018.

The above mentioned convertible bonds, in respect of which conversion rights have not been exercised, will be redeemed.

Below is an analysis of the shareholding structure of the Company (i) as at 31 December 2018; and (ii) immediately after full conversion of the convertible bonds at the respective initial conversion price of HK$2.37 and HK$1.276.

Shareholder

	As at 31 December 2018		Immediately after full conversion of the convertible bonds at the respective initial conversion price of HK$2.37 and HK$1.276	
	No. of shares	Approximate %	No. of shares	Approximate %
Tempus Holdings (Hong Kong) Limited	232,104,800	66.34	232,104,800	52.64
The bondholders	—	—	91,021,520	20.65
Others	117,772,000	33.66	117,772,000	26.71
Total	349,876,800	100.00	440,898,320	100.00

During the year ended 31 December 2017 and 31 December 2018, there was no dilutive effect attributable to the convertible bonds on the earnings/loss per share. Additional information of the convertible bonds issued by the Company, including but not limited to, analysis on the financial and liquidity position of the Group and discussion on the ability to meet its redemption obligations under the convertible bonds are set out in the paragraph "Liquidity and financial resources" in this annual report.

Share options granted to directors and selected employees

Details of the share options granted in prior years and current year is set out in "Share Options" section contained in this report. For the share options granted during the year ended 31 December 2018, no shares were issued during the year.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year, the Company has redeemed unlisted convertible notes due 14 June 2018 with aggregate principal amount of HK$160,000,000 issued on 16 June 2017 in full together with interest accrued to maturity date.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Group's aggregate amounts of reserves available for distribution were approximately HK$379,809,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under 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 note 32 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 2018, the Group's sales to its five largest customers accounted for approximately 18.0% of the Group's total sales and the Group's sales to its largest customer accounted for approximately 5.6% of the Group's total sales. The Group's five largest suppliers accounted for approximately 17.2% of the Group's total purchases, while the largest supplier for the year accounted for approximately 4.8% 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.

Liquidity risk arising from redemption of convertible bonds and repayment of bank loans

As at the date of this report, the Group has convertible bonds with principal of HK$190,000,000 due within one year and short-term revolving loans of approximately HK$111,500,000 from a bank. The proceeds were fully utilised for refinancing, investment and general corporate purposes. The Group is considering various financing activities, including issue of new bonds or shares and disposal of certain non-core assets, which may or may not proceed. The Group may encounter liquidity issue if the cash generated from aforementioned financing activities together with existing free cash is not sufficient for the redemption of convertible bonds and repayment of bank loans.

Interest rate risks

The Group's certain borrowings are floating-rate bank loans, which expose the Group to rising interest rates. The Group 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 2018, the Group had not carried out any hedging activities to manage its interest rate exposure.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Zhong Baisheng *(Chairman)*
(Re-designated on 1 March 2019)
Mr. Li Dongming *(Chief Executive Officer)*
Mr. Huang Jingkai *(Vice-chairman)*
Mr. Yip Chee Lai, Charlie

Non-executive Director

Ms. Zhang Yan *(Resigned on 6 November 2018)*

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. Li Dongming, Mr. Yip Chee Lai, Charlie and Mr. Wong Lit Chor, Alexis will retire from office by rotation and be eligible to offer themselves for re-election at the AGM. Mr. Li Dongming and Mr. Yip Chee Lai, Charlie will offer themselves for re-election at the AGM. However, Mr. Wong Lit Chor, Alexis has indicated that he will not seek to stand for re-election at the AGM. Save as disclosed, all other Directors will remain in office.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and members of the senior management are set out on pages 68 to 71 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

None of the Directors proposed for re-election at the forthcoming AGM 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.

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Director	Details of change
Mr. Zhong Baisheng	– Re-designated as an executive Director of the Company and the chairman of executive committee of the Company with effect from 1 March 2019 – Adjusted the annual salary to HK$3,000,000 per annum with effect from 1 March 2019
Mr. Li Dongming	– Ceased to be the chairman of executive committee of the Company with effect from 1 March 2019

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 2018, 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 9)*
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)	4,450,000 (L)	10,496,000 (L)	3.00%
	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)	4,450,000 (L)	28,480,000 (L)	8.14%
Mr. Li Dongming *(Note 4)*	Beneficial owner	—	6,498,600 (L)	6,498,600 (L)	1.86%
Mr. Huang Jingkai *(Note 5)*	Beneficial owner	—	6,948,600 (L)	6,948,600 (L)	1.97%
Mr. Han Biao *(Note 6)*	Beneficial owner	—	550,000 (L)	550,000 (L)	0.16%
Mr. Wong Lit Chor, Alexis *(Note 7)*	Beneficial owner	—	400,000 (L)	400,000 (L)	0.11%
Mr. Li Qi *(Note 8)*	Beneficial owner	—	550,000 (L)	550,000 (L)	0.16%

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 ("**Tempus Hong Kong**"), which is wholly owned by Tempus Value Chain Limited ("**Tempus Value Chain**"). Tempus Value Chain is wholly owned by Tempus Logistics Group Holding Ltd.* (騰邦物流集團股份有限公司) ("**Tempus Logistics**"), which is in turn owned as to 65% by Tempus Group Co., Ltd.* (騰邦集團有限公司) ("**Tempus Group**") and 35% 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 31 December 2018, 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 4,450,000 options granted to him by the Company on 31 August 2015, 26 January 2017 and 16 April 2018 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, 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 and 2,000,000 options are exercisable at the exercise price of HK$2.13 per Share during the period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(4) Mr. Li Dongming's long position in the underlying Shares comprises an aggregate of 6,498,600 options granted to him by the Company on 26 January 2017 and 16 April 2018 under the Share Option Scheme. Out of these options, 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 and 3,498,600 options are exercisable at the exercise price of HK$2.13 per Share during the period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(5) Mr. Huang Jingkai's long position in the underlying Shares comprises an aggregate of 6,948,600 options granted to him by the Company on 31 August 2015, 26 January 2017 and 16 April 2018 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, 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 and 3,498,600 options are exercisable at the exercise price of HK$2.13 per Share during period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(6) Mr. Han Biao's long position in the underlying Shares comprises an aggregate of 550,000 options granted to him by the Company on 31 August 2015, 26 January 2017 and 16 April 2018 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, 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 and 200,000 options are exercisable at the exercise price of HK$2.13 per Share during period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(7) Mr. Wong Lit Chor, Alexis's long position in the underlying Shares comprises an aggregate of 400,000 options granted to him by the Company on 26 January 2017 and 16 April 2018 under the Share Option Scheme. Out of these options, 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 and 200,000 options are exercisable at the exercise price of HK$2.13 per Share during the period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(8) Mr. Li Qi's long position in the underlying Shares comprises an aggregate of 550,000 options granted to him by the Company on 31 August 2015, 26 January 2017 and 16 April 2018 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, 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 and 200,000 options are exercisable at the exercise price of HK$2.13 per Share during the period from 16 April 2018 to 15 April 2022, subject to the vesting schedule.

(9) The approximate percentage of shareholding is calculated based on a total of 349,876,800 issued Shares of the Company as at 31 December 2018.

* *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 65% by Tempus Group and 35% 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 2018, 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 41 to the consolidated financial statements and in the paragraph headed "Related Party Disclosures" 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

Saved as disclosed in the note 41 to the consolidated financial statements and in the paragraph headed "Related Party Disclosures" in this report, 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 2018, 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 2018, 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 6)*
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)	4,450,000 (L)	22,706,000 (L)	6.49%
	Total	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%

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 6)*
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)	4,450,000 (L)	22,366,000 (L)	6.39%
	Total	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%
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)	4,450,000 (L)	22,384,000 (L)	6.40%
	Total	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%
Mr. Tan Beng Gim *(Note 4)*	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%
	Total	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%
Ms. Chua Siew Hun *(Note 4)*	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%
	Total	24,030,000 (L)	4,450,000 (L)	28,480,000 (L)	8.14%

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 6)*
Wan Tai Investments Limited ("**Wan Tai**") *(Note 5)*	Beneficial owner	—	91,021,520(L)	91,021,520(L)	26.02%
CCBI Investments Limited ("**CCBI**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%
CCB International (Holdings) Limited ("**CCB Int'l**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%
CCB Financial Holdings Limited ("**CCB Financial**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%
CCB International Group Holdings Limited ("**CCB Int'l Group**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%
China Construction Bank Corporation ("**CCBC**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%
Central Huijin Investment Limited ("**Central Huijin**") *(Note 5)*	Interest in a controlled corporation	—	91,021,520(L)	91,021,520(L)	26.02%

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 65% by Tempus Group and 35% 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 31 December 2018, 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) Wan Tai's long position in the underlying Shares comprises its interest in convertible bonds issued by the Company on 1 June 2018 and 16 October 2018 which can be converted into 67,510,549 new Shares at the convertible price of HK$2.37 per Share (subject to adjustment) and 23,510,971 new Shares at convertible price of HK$1.276 per Share (subject to adjustment). These underlying Shares held by Wan Tai directly, which is wholly owned by CCBI. CCBI is wholly owned by CCB Int'l, which is in turn wholly owned by CCB Financial. CCB Financial is wholly owned by CCB Int'l Group, which is in turn wholly owned by CCBC. Central Huijin holds 57.11% in CCBC. As such, each of Wan Tai, CCBI, CCB Int'l, CCB Financial, CCB Int'l Group, CCBC and Central Huijin is deemed to be interested in 91,021,520 underlying Shares in the Company by virtue of the SFO.

(6) The approximate percentage of shareholding is calculated based on a total of 349,876,800 issued Shares as at 31 December 2018.

(7) The three convertible notes issued by the Company on 16 June 2017 ("**CB 2017**") which has been redeemed by the Company during the year. Therefore, Ms. Luk Ching, Sanna and Win Success Travel Limited no longer held any CB 2017 of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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.

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.

As at 31 December 2018, the total number of share available for issue under the Share Option Scheme was 60,106,000, respectively approximately 17.21% of the issued share capital of the Company as at the date of this annual report.

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 2018	Granted during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Outstanding as at 31 December 2018
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	—	349,860	—	—	—	349,860
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
	Sub-total				3,000,000	3,498,600	—	—	—	6,498,600
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	—	349,860	—	—	—	349,860
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	—	1,049,580	—	—	—	1,049,580
	Sub-total				3,450,000	3,498,600	—	—	—	6,948,600

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of Share Options: Outstanding as at 1 January 2018	Granted during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Outstanding as at 31 December 2018
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	200,000	–	–	–	200,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	600,000	–	–	–	600,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	600,000	–	–	–	600,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	600,000	–	–	–	600,000
	Sub-total				2,450,000	2,000,000	–	–	–	4,450,000
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)	–	–
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	20,000	–	(20,000)	–	–
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	60,000	–	(60,000)	–	–
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	60,000	–	(60,000)	–	–
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	60,000	–	(60,000)	–	–
	Sub-total				450,000	200,000	–	(650,000)	–	–

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of Share Options: Outstanding as at 1 January 2018	Granted during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Outstanding as at 31 December 2018
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	20,000	–	–	–	20,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
	Sub-total				350,000	200,000	–	–	–	550,000
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	20,000	–	–	–	20,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
	Sub-total				200,000	200,000	–	–	–	400,000

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of Share Options: Outstanding as at 1 January 2018	Granted during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Outstanding as at 31 December 2018
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
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	20,000	–	–	–	20,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	60,000	–	–	–	60,000
	Sub-total				350,000	200,000	–	–	–	550,000
Other eligible participants	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	600,000	–	–	–	–	600,000
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	900,000	–	–	–	–	900,000
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	1,500,000	–	–	–	–	1,500,000
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	1,312,000	–	–	–	–	1,312,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	3,936,000	–	–	–	–	3,936,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	3,936,000	–	–	–	–	3,936,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	3,936,000	–	–	–	–	3,936,000
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	–	2,518,880	–	(60,000)	–	2,458,880
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	–	7,556,640	–	(180,000)	–	7,376,640
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	–	7,556,640	–	(180,000)	–	7,376,640
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	–	7,556,640	–	(180,000)	–	7,376,640
	Sub-total				16,120,000	25,188,800	–	(600,000)	–	40,708,800
	Total				**26,370,000**	**34,986,000**	**–**	**(1,250,000)**	**–**	**60,106,000**

Notes:

(1) The closing price of the Shares immediately before 16 April 2018 was HK$2.18.

(2) Further details of the Share Options Scheme are set out in note 43 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Further acquisition of 17% of equity interest of SZ Tempus Value Chain

On 12 October 2018, the Company conditionally acquired 17% equity interest of SZ Tempus Value Chain from Shenzhen Tengbang Value Chain Equity Investment Partnership Corporation (limited partnership)* (深圳騰邦價值鏈股權投資合夥企業(有限合夥)) for a cash consideration of HK$17,000,000, (which shall be settled by cash within three business days from the completion date). The acquisition enables higher percentage of controlling equity of the Company on SZ Tempus Value Chain and its subsidiaries, facilitating a higher profit attributable to owners of the Company and earnings per share. Shenzhen Tengbang Value Chain Equity Investment Partnership Corporation (limited partnership)* (深圳騰邦價值鏈股權投資合夥企業(有限合夥)) was owned as to 99.99999% by Mr. Zhong Baisheng who was also the general partner, thereby making the vendor as an associate of Mr. Zhong and a connected person of the Company. The acquisition constitutes a connected transaction and a discloseable transaction of the Company. Such connected transaction is subject to the reporting and announcement requirements but is exempted from the independent the shareholders' approval requirement under the Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 26 May 2017 and 30 November 2017 in relation to the acquisition of 61.75% of equity interest of SZ Tempus Value Chain. One or more of the applicable percentage ratios for the previous acquisition and the acquisition of 17% of equity interest of SZ Tempus Value Chain on an aggregated basis exceed 25% but are less than 100%. However, the classification of the acquisition on an aggregated basis would be the same as the previous acquisition, and the Company had already complied with the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules, therefore, the acquisition is not aggregated with the previous acquisition and shall be a discloseable transaction and connected transaction of the Company.

CONTINUING CONNECTED TRANSACTIONS

Termination Agreement I

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 9 November 2018, KK VII (BVI) Limited and Tempus Assets (Hong Kong) Limited entered into a termination agreement (the "**Termination Agreement I**") to terminate the Tenancy Agreement I and the supplemental tenancy agreement. According to the Termination Agreement I, neither KK VII (BVI) Limited nor Tempus Assets (Hong Kong) Limited is required to make any payment or compensation to each other in respect of the early termination, except refund the deposit.

Termination Agreement II

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 Tempus Logistics for a term of three years commencing on 2 March 2017 at a monthly rent of HK$471,025.

On 9 November 2018, KK VIII (BVI) Limited and Tempus Logistics entered into a termination agreement (the "**Termination Agreement II**") to terminate the Tenancy Agreement II. According to the Termination Agreement II, neither KK VIII (BVI) Limited nor Tempus Logistics is required to make any payment or compensation to each other in respect of the early termination, except refund the deposit.

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 expired on 31 March 2018. After that, Sky Logistics and Tempus Logistics entered into a renewal agreement I on 1 April 2018 for a term of two months and a renewal agreement II on 1 June 2018 for a term of another three months (the "**Renewal Agreements**").

The fees for the provision of the services under the Service Agreement and the Renewal Agreements 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 Directors (including the independent non-executive Directors) had reviewed the above continuing connected transactions in relation to the tenancy agreements, termination agreements, Service Agreements and Renewal Agreements 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 41 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 19 to 30 of this annual 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 this report. For further details, please refer to pages 44 to 49 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 services. 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 enhance the quality management and services. During the year, the Group considered the relationship with customers was satisfactory. For further details, please refer to pages 28 to 29 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 28 to 29 of this report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are mentioned under the paragraph headed "Significant Investment, Material Acquisitions and Disposals of Assets" in Management Discussion and Analysis.

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 annual 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 56 to 67 of this annual 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 ("**Deloitte**") resigned as the auditor of the Group with effect from 9 January 2019 and Moore Stephens CPA Limited ("**Moore Stephens**") was then appointed as the auditor of the Group following the resignation of Deloitte as the auditor of the Group. Moore Stephens will hold office until the conclusion of the next annual general meeting of the Company.

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

By Order of the Board

Zhong Baisheng
Chairman and Executive Director

Hong Kong, 29 March 2019

* *For identification purposes only*

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the Company 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 has complied with all applicable code provisions under the CG Code throughout the year ended 31 December 2018 except that Mr. Zhong Baisheng, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16 May 2018 since he had other business engagements, which deviated from code provision E.1.2 of the CG Code. However, our Chief Executive Officer and executive Director, Mr. Li Dongming who was present at the annual general meeting and took the chair of that meeting in accordance with the Articles of Association of the Company.

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 regarding Directors' securities transactions 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 four executive Directors namely, Mr. Zhong Baisheng (Chairman), Mr. Li Dongming (Chief Executive Officer), Mr. Huang Jingkai (Vice-chairman) and Mr. Yip Chee Lai, Charlie; and three independent non-executive Directors namely, Mr. Han Biao, Mr. Wong Lit Chor, Alexis and Mr. Li Qi. The profiles of each Director are set out in the "Biographies of Board of Directors and Senior Management" section in this annual report.

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

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

Six 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. Zhong Baisheng *(Re-designated on 1 March 2019)*	3/6	—	—	—
Mr. Li Dongming	6/6	—	N/A	—
Mr. Huang Jingkai	6/6	—	N/A	—
Mr. Yip Chee Lai, Charlie	6/6	—	—	—
Non-executive Director				
Ms. Zhang Yan *(Resigned on 6 November 2018)*	2/5	—	—	—
Independent non-executive Directors				
Mr. Han Biao	6/6	2/2	1/1	1/1
Mr. Wong Lit Chor, Alexis	6/6	2/2	1/1	1/1
Mr. Li Qi	6/6	2/2	1/1	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 Directors before meetings. All 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 under review, the Company provided to all Directors with (i) the briefing, updates and presentations on changes and developments to the Group's business and operations, (ii) the workshop conducted by a professional and licensed solicitor pertaining to the latest developments of the Listing Rules and other applicable laws, rules and regulations relating to the Directors' duties and responsibilities; and (iii) the relevant reading materials in respect of her/his 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.

According to the records maintained by the Company, the Directors have received the following training in the year ended 31 December 2018:

	Type of trainings: Attending Seminars/ Conferences and/or Similar Events	Type of trainings: Reading Materials and updates
Executive Directors		
Mr. Zhong Baisheng (Chairman) *(Re-designated on 1 March 2019)*		√
Mr. Li Dongming (Chief Executive Officer)	√	√
Mr. Huang Jingkai (Vice-Chairman)		√
Mr. Yip Chee Lai, Charlie		√
Non-executive Director		
Ms. Zhang Yan *(Resigned on 6 November 2018)*		√
Independent non-executive Directors		
Mr. Han Biao		√
Mr. Wong Lit Chor, Alexis		√
Mr. Li Qi		√

DIRECTORS' ATTENDANCE AT GENERAL MEETING

During the year under review, the Company held an annual general meeting on 16 May 2018 (the "**2018 AGM**"). The attendance of each Director is set out in the table below:

	2018 AGM
Executive Directors	
Mr. Zhong Baisheng (Chairman) *(Re-designated on 1 March 2019)*	×
Mr. Li Dongming (Chief Executive Officer) *(Note)*	√
Mr. Huang Jingkai (Vice-chairman)	√
Mr. Yip Chee Lai, Charlie	√
Non-executive Director	
Ms. Zhang Yan *(Resigned on 6 November 2018)*	×
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 2018.

Remarks:

√ represents attendance × represents absence

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. The Board has adopted the updated terms of reference of Audit Committee in compliance with the requirement the latest amendments to the Listing Rules relating to the cooling off period for former professional advisers.

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 2017;

ii. reviewed the interim results of the Group for the six months ended 30 June 2018; and

iii. reviewed the financial status and performance, internal control and risk management systems of the Group for the year ended 31 December 2017 and six months ended 30 June 2018.

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 and two executive Directors, namely Mr. Li Dongming and Mr. Huang Jingkai. 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 2018 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 18 of this annual report.

One meeting 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 re-appointment of and succession planning for Directors; and

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

The Company has adopted a Director Nomination Procedure in March 2012 and a board diversity policy in August 2013. These policies were amended alongside with the Listing Rules in March 2019.

Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee monitors the implementation of the diversity policy and review the same as appropriate.

The appointment of Directors recommended by the Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When there is a vacancy, the Nomination Committee identifies and selects suitably qualified candidates following the board diversity policy and taking into account the candidate's her/his independence and capability to devote sufficient time and commitment to the roles as well as potential conflict of interests.

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 four executive Directors, namely Mr. Zhong Baisheng, 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 2018 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 72 to 78 of this annual report.

Independent Auditor's Remuneration

During the year, the Group was charged HK$2,100,000 for auditing services and approximately HK$700,000 for non-auditing services by the Company's auditor, Moore Stephens and Deloitte.

	Fee paid/payable HK$'000
Annual audit services	2,100
Other services:	
Report on the continuing connected transactions	50
Review of interim results	650
Total	2,800

The Audit Committee will recommend the re-appointment of Moore Stephens for audit services, and consider the engagement of the non-audit services to ensure the independence and objectively of audit services.

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, finance and accounting 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 annual 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 and articles of association 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 ("**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 28th Floor, No. 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 28th Floor, No. 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. Zhong Baisheng ("Mr. Zhong"), aged 54, has been re-designated as an executive Director of the Company and the chairman of executive committee of the Company with effect from 1 March 2019. He was a non-executive Director of the Company from January 2015 until February 2019. Mr. Zhong acts as a chairman of the Board, is responsible for leadership of the Board and strategic planning of the Group. He is the founder and chairman of Tempus Group, a limited liability company established in the PRC and the chairman of Tempus Global Business Service Group Holding Ltd.* (騰邦國際商業服務集團股份有限公司) ("**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).

Mr. Li Dongming ("Mr. Li"), aged 44, joined the Company in October 2016 as the executive Director and chief executive officer. Mr. Li also holds several directorships in certain subsidiaries of the Group. He 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, he 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, Mr. Li 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. He 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. Mr. Li was also an independent non-executive director of Tempus Global from November 2014 to October 2016. He graduated from Shandong University of Finance and Economics with a bachelor's degree majoring in planning and statistics in 1996. Mr. Li 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 36, joined the Company in January 2015 as the executive Director and vice-chairman. Mr. Huang also holds several directorships in certain subsidiaries of the Group. He is also the supervisor of 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. Mr. Huang obtained Bachelor of Arts and Bachelor of Laws. He 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. Yip"), aged 59, joined the Company in May 2011 as the executive Director and vice president. Mr. Yip also holds several directorships in certain subsidiaries of the Group. He participates in 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. 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. Yip is a member of the Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Biao ("Mr. Han"), aged 55, joined the Company in January 2015 as 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.

Mr. Wong Lit Chor, Alexis ("Mr. Wong"), aged 60, joined the Company in August 2016 as 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 local listed companies and the PRC financial services companies. He has been serving as an independent non-executive director, the chairman of the audit committee and the remuneration committee of Inspur International Limited (0596.HK) since March 2003. Mr. Wong was served as an independent non-executive director of China Fortune Holdings Limited (0110.HK) from September 2006 to October 2017 and Han Tang International Holdings Limited (1187.HK) from November 2013 to July 2016. 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 63, joined the Company in January 2015 as 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 Shanxi Decision marking and Advisory Committee* (陝西省決策諮詢委員會) from 2014. Mr. Li is the director of the Shanxi 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 34, is the vice president of the Company since February 2017. Prior to joining the Company, Mr. Sun has approximately ten 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. Tam Ka Tung ("Mr. Tam"), aged 36, 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 ("Mr. Liu"), aged 34, is the strategy controller of the Company since July 2015. Prior to joining the Company, Mr. Liu has approximately five years of strategic consulting service experience in global business consulting service department in IBM China Company Limited, and subsequently worked as director of strategy in a mobile internet sector high and new technology enterprise which listed on the Nasdaq. Mr. Liu obtained his Bachelor of Economics and Master of Management Science and Engineering from the School of Economics and Management of Beijing University of Posts and Telecommunications, and obtained the PMP certification (Project Management Professional Qualification Certification) awarded by Project Management Institute (PMI) in the United States in 2013.

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

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 79 to 195, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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
Impairment assessment of trade receivables	
We identified the impairment 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 estimation of impairment losses entails a significant degree of the inability of the customers to make the required payment. As disclosed in the note 26 to the consolidated financial statements, the trade receivables amounted to HK$158,160,000 as at 31 December 2018. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	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; • Challenging the information used to determine the expected credit losses by considering cash collection performance against historical trends and the level of credit loss charges over time; • Reviewing the accuracy of management's judgement by comparing historical management's against actual write-offs; • Discussing with the management on their assessment based on the business relationship with customers in relation to overdue trade receivables with/without settlement; and • Examining on sampling basis evidence related to post year end cash receipt.

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$152,700,000 as at 31 December 2018, with the fair value gain of HK$34,150,000 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 valuer to perform the valuation and worked with the valuer to establish inputs to the valuation. The fair value of investment properties was arrived at by using direct comparison method. The valuations are dependent on certain significant unobservable inputs that involve judgements, including adjusted unit sale rates.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities, objectivity and independence of the valuer; • Obtaining an understanding of the valuation techniques and significant assumptions adopted by the management and the valuer; • Evaluating the appropriateness of the valuation models and the judgements made by the management and the valuer; and • Checking the reasonableness of significant unobservable inputs used by the valuer in the valuation, in particular, the adjusted unit sale rates, on a sample basis, against market data such as recent selling prices.

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Valuation of financial assets at fair value through profit or loss ("FVTPL")

We identified the valuation of financial assets at FVTPL as a key audit matter due to the significance of the balance as a whole and the significant judgement and estimation required in determining their fair values.

The financial assets at FVTPL of the Group mainly represent investment in unlisted equity securities and unlisted equity interest in funds. The fair value of financial assets at FVTPL amounted to HK$45,761,000 as at 31 December 2018, with the fair value gain of HK$6,028,000 recognised in the profit or loss for the year then ended.

As disclosed in notes 5 and 20 to the consolidated financial statements, in estimating the fair value of financial assets, the Group engaged independent qualified external valuers to perform the valuation and worked with the external valuers to establish inputs to the valuation. The fair value of financial assets at FVTPL was arrived at by using discounted cash flow method.

The valuations are dependent on certain significant unobservable inputs that involve judgements, including discount rate and sale growth rate.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of financial assets at FVTPL included:

- Evaluating the competence, capabilities, objectivity and independence of the external valuers;
- With the assistance of our internal valuation specialists, discussing with the management and the external valuers their valuation methodology and the key estimates and assumptions adopted in their valuations;
- Evaluating the appropriateness of the valuation models and the judgement made by the management and the external valuers;
- Challenging the reasonableness of key assumptions being used based on our knowledge of the business and industry, including the discount rate and sale growth rate; and
- Checking on a sample basis, the accuracy and reliance of the input data used.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in chairman's statement, management discussion and analysis, corporate governance report, environment, social and governance report and directors' 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 issued by the HKICPA 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 of the Company 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 of the Company 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. Our report is made 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.

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	6	**885,931**	834,288
Cost of sales		**(623,637)**	(541,438)
Gross profit		**262,294**	292,850
Other income	7	**23,057**	20,691
Other gains and losses	8	**57,778**	54,511
Impairment losses on financial assets		**(3,187)**	—
Share of results of joint ventures	18	**512**	(682)
Share of results of associates	19	**3,104**	(2)
Selling and distribution expenses		**(197,299)**	(218,970)
Administrative expenses		**(113,285)**	(88,495)
Finance costs	9	**(58,374)**	(18,581)
(Loss)/profit before tax	10	**(25,400)**	41,322
Income tax expense	11	**(5,494)**	(9,822)
(Loss)/profit for the year		**(30,894)**	31,500
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(17,780)**	13,729
Item that will not be reclassified to profit or loss:			
Revaluation increase upon transfer from property, plant and equipment to investment properties		**—**	2,332
		(17,780)	16,061
Total comprehensive (loss)/income for the year		**(48,674)**	47,561
(Loss)/profit for the year attributable to:			
Owners of the Company		**(33,922)**	24,142
Non-controlling interests		**3,028**	7,358
		(30,894)	31,500
Total comprehensive (loss)/income for the year:			
Owners of the Company		**(49,044)**	37,436
Non-controlling interests		**370**	10,125
		(48,674)	47,561
(Loss)/earnings per share			
Basic and diluted (HK$)	15	**(0.10)**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**338,979**	92,235
Investment properties	17	**152,700**	354,600
Investments in joint ventures	18	**—**	35,516
Investments in associates	19	**52,247**	1,838
Financial assets at fair value through profit or loss	20	**45,761**	—
Available-for-sale investment	20	**—**	27,924
Deferred tax assets	21	**1,253**	1,253
Intangible assets	22	**2,285**	3,046
Goodwill	23	**2,657**	2,657
Utility and other deposits paid	24	**10,878**	40,843
		606,760	559,912
Current assets			
Inventories	25	**37,995**	35,197
Trade, bills and other receivables	26	**285,015**	219,587
Utility and other deposits paid	24	**21,004**	18,784
Available-for-sale investment	20	**—**	29,876
Loans receivable	27	**28,020**	39,000
Amounts due from fellow subsidiaries	28	**—**	556
Tax recoverable		**1,178**	1,143
Pledged bank deposits	24	**9,119**	9,678
Bank balances and cash	24	**134,467**	135,122
		516,798	488,943
Current liabilities			
Trade and other payables	29	**99,736**	124,685
Contract liabilities	30	**20,346**	—
Amounts due to fellow subsidiaries	28	**—**	1,054
Amount due to an intermediate holding company	28	**1,355**	—
Obligations under finance leases	31	**1,925**	2,239
Tax payable		**10,142**	10,109
Bank borrowings – due within one year	32	**131,179**	74,180
Convertible bonds	33	**192,228**	159,678
Senior note	34	**50,645**	100,451
		507,556	472,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Net current assets		**9,242**	16,547
Total assets less current liabilities		**616,002**	576,459
Non-current liabilities			
Obligations under finance leases	31	**3,194**	3,146
Bank borrowings – due after one year	32	**162,546**	75,139
Amount due to an intermediate holding company	28	**—**	15,332
		165,740	93,617
Net assets		**450,262**	482,842
Capital and reserves			
Share capital	35	**27,279**	27,279
Reserves		**379,809**	404,341
Equity attributable to owners of the Company		**407,088**	431,620
Non-controlling interests		**43,174**	51,222
Total equity		**450,262**	482,842

The consolidated financial statements on pages 79 to 195 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Li Dongming
Director

Huang Jingkai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	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 (c))	Statutory reserve HK$'000 (Note (b))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	27,279	360,207	32	3,221	(11,157)	(128,447)	—	35,822	9,165	150,226	446,348	41,682	488,030
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 as previously reported	27,279	360,207	32	7,937	(195)	(128,447)	2,332	(20,796)	11,630	171,641	431,620	51,222	482,842
Impact on initial application of HKFRS9 (Note 3)	—	—	—	—	—	—	—	—	—	28,914	28,914	—	28,914
At 1 January 2018 (restated)	27,279	360,207	32	7,937	(195)	(128,447)	2,332	(20,796)	11,630	200,555	460,534	51,222	511,756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											Non-controlling interests HK$'000	Total HK$'000
	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 (c))	Statutory reserve HK$'000 (Note (b))	Retained profits HK$'000	Total HK$'000		
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(33,922)	(33,922)	3,028	(30,894)
Other comprehensive loss for the year – exchange difference arising on translation	–	–	–	–	(15,122)	–	–	–	–	–	(15,122)	(2,658)	(17,780)
Total comprehensive (loss)/income for the year	–	–	–	–	(15,122)	–	–	–	–	(33,922)	(49,044)	370	(48,674)
Recognition of equity-settled share-based payments	–	–	–	2,081	–	–	–	–	–	–	2,081	–	2,081
Acquisition of additional interest in subsidiaries from non-controlling shareholders (Note (d))	–	–	–	–	622	3,697	–	119	257	(3,131)	1,564	(18,564)	(17,000)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	10,146	10,146
Transfer upon forfeiture of share options	–	–	–	(644)	–	–	–	–	–	644	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	2,213	(2,213)	–	–	–
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	(8,047)	(8,047)	–	(8,047)
At 31 December 2018	27,279	360,207	32	9,374	(14,695)	(124,750)	2,332	(20,677)	14,100	153,886	407,088	43,174	450,262

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) Other reserve arose from acquisition of subsidiaries under common control.

(d) On 12 October 2018, further to the previous acquisition during the year ended 31 December 2017, Shenzhen Tengbang Value Chain Equity Investment Partnership Corporation (limited partnership) ("Tengbang Value Chain") entered into the sale and purchase agreement, to transfer 17% interest in SZ Tempus Value Chain to the Company for a cash consideration of HK$17,000,000 (the "Further Acquisition"). Details of the Further Acquisition was set out in the circular of the Company dated on 12 October 2018. Tengbang Value Chain is a limited partnership established in the PRC and is owned by Mr. Zhong Baisheng, the chairman of the board and non-executive director, as to 99.99999% of interest. Mr. Zhong Baisheng is also a general partner of Tengbang Value Chain. The remaining 0.00001% of the interest in the vendor is held by a third party independent of the Company and its connected persons. The Further Acquisition was completed on 16 October 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(25,400)**	41,322
Adjustments for:			
Amortisation of intangible assets	10	**761**	761
Depreciation of property, plant and equipment	10	**15,769**	13,379
Finance costs	9	**58,374**	18,581
Share of results of joint ventures		**(512)**	682
Share of results of associates		**(3,104)**	2
Gain on fair value change of derivatives embedded in convertible bonds	8, 33	**(15,842)**	(9,462)
Gain on fair value change of investment properties	8, 17	**(34,150)**	(40,846)
Gain on fair value change of financial assets at fair value through profit or loss	8	**(6,028)**	—
Gain on disposal of an associate	8	**(2,295)**	—
Gain on disposal of property, plant and equipment	8	**(750)**	(329)
Loss on write-off of property, plant and equipment	8	**105**	384
Impairment losses on financial assets		**3,187**	—
Share-based payment expenses		**2,081**	5,399
Bank interest income	7	**(1,767)**	(4,230)
Interest income on loans receivable	7	**(3,604)**	(2,230)
		(13,175)	23,413
(Increase)/decrease in inventories		**(3,587)**	5,498
Increase in trade, bills and other receivables		**(19,231)**	(86,376)
Decrease in utility and other deposits paid		**2,582**	2,410
Decrease in amounts due from related companies		**556**	259
(Decrease)/increase in trade and other payables		**(10,841)**	32,508
Increase in contract liabilities		**9,711**	—
(Decrease)/increase in amounts due to related companies		**(1,054)**	1,001
Cash used in operations		**(35,039)**	(21,287)
Income taxes paid		**(7,552)**	(4,023)
NET CASH USED IN OPERATING ACTIVITIES		**(42,591)**	(25,310)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months		**—**	(4,045)
Withdrawal of bank deposits with original maturity over three months		**4,045**	7,000
Acquisition of financial assets at fair value through profit or loss		**(11,954)**	—
Net cash outflow from acquisition of assets through acquisition of subsidiaries	36	**—**	(118,121)
Investment in joint ventures		**—**	(36,198)
Investment in associates		**(49,345)**	(1,840)
Purchases of available-for-sale investment		**—**	(27,781)
Proceeds from disposal of financial assets at fair value through profit or loss	20(b)	**48,601**	—
Proceeds from disposal of an associate	19(d)	**32,535**	—
Deposit paid for acquisition of an associate	19(d)	**—**	(36,023)
Deposit received in respect of disposal of available-for-sale investment	20(b)	**—**	12,008
Advances of a loan to a third party	27	**(20,000)**	(67,749)
Repayment of loans from third parties	27	**29,000**	—
Bank interest received		**1,767**	4,230
Additions of property, plant and equipment		**(25,827)**	(7,207)
Proceeds from disposal of property, plant and equipment		**2,226**	766
Decrease in pledged bank deposits		**559**	1,867
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**11,607**	(273,093)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES			
Dividends paid	14	**(8,047)**	—
Dividend paid by SZ Tempus Value Chain as defined in note 2		**—**	(1,530)
Repayments of obligations under finance leases		**(3,635)**	(3,090)
Interest paid		**(33,218)**	(7,898)
Payment for the acquisition of entities under common control		**(15,332)**	(41,286)
Payment for acquisition of additional interest in subsidiaries from non-controlling shareholders		**(17,000)**	—
Proceeds from issue of convertible bonds		**190,000**	160,000
Redemption of convertible bonds		**(166,176)**	—
Proceeds from issue of a senior note		**—**	100,000
Repayments of senior note		**(50,000)**	—
Transaction costs paid for issue of a senior note		**—**	(708)
Advance from/(repayment to) an intermediate holding company		**1,355**	(686)
Repayments of bank borrowings		**(44,733)**	(50,177)
New bank borrowings raised		**189,139**	45,874
NET CASH GENERATED FROM FINANCING ACTIVITIES		**42,353**	200,499
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,369**	(97,904)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**131,077**	225,431
Effect of foreign exchange rate changes		**(7,979)**	3,550
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**134,467**	131,077
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**134,467**	135,122
Bank deposits with original maturity over three months		**—**	(4,045)
		134,467	131,077

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 at 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 45. 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. All values are rounded to the nearest thousand except where otherwise indicated.

2. BASIS OF PREPARATION

Merger accounting

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 SZ Tempus Value Chain Group is engaged in provision of supply chain solution including logistics and storage 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.

During the year ended 31 December 2018, the remaining consideration amounted to RMB13,648,000 (equivalent to HK$15,332,000) was satisfied by cash.

2. BASIS OF PREPARATION *(Continued)*

Merger accounting *(Continued)*

The Group and SZ Tempus Value Chain Group are under the common control of Tempus Logistics before and after the date of Acquisition, and that control is not transitory. The Group and SZ Tempus Value Chain Group are regarded as continuing entities as at the date of business combinations and hence the Acquisition has 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" issued by the HKICPA.

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contract with Customers and the Related Amendments
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

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.

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

Application of HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application of HKFRS 9) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets

In general, HKFRS 9 categorises financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income ("FVTOCI"); and
- at fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 4 to the consolidated financial statements. The Group did not designate or de-designate any financial asset at FVTPL as at 1 January 2018.

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

Application of HKFRS 9 Financial Instruments *(Continued)*

Classification and measurement of financial assets (Continued)

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	HKAS 39 carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Financial assets carried at amortised cost				
Trade, bills and other receivables	219,587	—	—	219,587
Loans receivable	39,000	—	—	39,000
Pledged bank deposits	9,678	—	—	9,678
Bank balances and cash	135,122	—	—	135,122
	403,387	—	—	403,387
Financial assets carried at FVTPL (under HKFRS 9)				
Unlisted equity securities	—	29,876	30,733	60,609
Unlisted equity interest in TBRJ Fund	—	27,924	431	28,355
	—	57,800	31,164	88,964
Financial assets classified as available-for-sale under HKAS 39 (Note)	57,800	(57,800)	—	—

Note:

From available-for-sale ("AFS") investments at cost to FVTPL

Under HKFRS 9, investments in equity securities are required to be measured at fair value subsequently at the end of each reporting period. Accordingly, for investments in equity securities that were previously measured at cost less impairment based on the cost exemption under HKAS 39 have to be measured at FVTPL. Based on the specific transitional provisions set out in HKFRS 9, such investments have to be measured at fair value at the date of initial application (i.e. 1 January 2018), with any difference between the fair value and carrying amount under HKAS 39 being recognised in the opening retained earnings as of 1 January 2018.

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

Application of HKFRS 9 Financial Instruments *(Continued)*

Impairment under expected credit loss model ("ECL model")

HKFRS 9 has introduced the ECL model to replace the "incurred loss" model under HKAS 39. The ECL model requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the ECL model to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including trade, bills and other receivables, loans receivable, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash).

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The directors of the Company considered that the impairment allowance under ECL model was insignificant as at 1 January 2018 based on the sound collection history of trade, loans and other receivables due from the debtors and the economic environment in which the debtors operate.

Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss). The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial liability at FVTPL as at 1 January 2018.

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

Application of HKFRS 9 Financial Instruments *(Continued)*

Effect on the Group's retained earnings and other reserves as of 1 January 2018

The following table shows the impact of the application of HKFRS 9 on the Group's retained earnings and other equity components as of 1 January 2018:

	Increase in the Group's retained profits HK$'000
Difference between the fair value of unlisted equity securities as of 1 January 2018 that were previously measured at cost less impairment under HKAS 39 and their aggregate carrying amount under HKAS 39	31,164
Income tax effect	(2,250)
	28,914

Application of HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 has replaced HKAS 11 Construction contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Please see note 4 for details of old and new accounting policies.

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

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

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 January 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 January 2018.

The Group is engaged in the following operations:

- Sales of health and wellness products
- Trading and distribution of consumer products
- Provision of logistics services

The revenue recognition of the principal activities of the Group's contracts with customers are as follows:

(i) Sales of health and wellness products

Revenue from sales of health and wellness products (including relaxation, fitness and other products) are recognised at a point in time, when control of the good is transferred to the customer, i.e. when goods are delivered to the customer.

(ii) Trading and distribution of consumer products

Revenue from trading business represents trading of consumer products are recognised at a point in time, when control of the good is transferred to the customer, i.e. when goods are delivered to the customer.

(iii) Logistics business

Revenue from logistics business represents freight forwarding services and storage services. Freight forwarding services include delivery and distribution of goods. Storage services include loading and unloading and storage management services.

Revenue from logistics business is recognised over time as the customers simultaneously receive and consume the benefits from the Group's performance.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of health and wellness products and trading and distribution of consumer products and logistic services (see note 4).

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

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

(iii) Logistics business *(Continued)*

(a) Warranties

Assurance-type warranty

In respect of health and wellness products, the application of HKFRS 15 has not had any material impact on the consolidated financial statements – revenue continues to be recognised when goods are delivered to customers and customers have accepted the goods. According to the relevant sales contracts with customers, customers are provided with product warranty for a period of time ranging from 1–2 years. Management assessed that such product warranty and considered that the warranty is just to assure that the products will function as intended taking into account (a) the length of the warranty coverage period and (b) the nature of tasks to be performed by the Group. Accordingly, such warranty continues to be accounted for in accordance with HKAS 37 Provisions, contingent liabilities and contingent assets.

(b) Presentation of contract liabilities

At the date of initial application of HKFRS 15, included in trade and other payables, HK$10,894,000 related to the consideration received in advance from customers on trading of goods and provision of logistics services. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification under HKFRS 15 HK$'000	Carrying amount under HKFRS 15 at 1 January 2018 HK$'000
Current Liabilities			
Trade and other payables	124,685	(10,894)	113,791
Contract liabilities	—	10,894	10,894

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	At 31 December 2017 HK$'000	Impact on initial application of HKFRS 9 HK$'000	Impact on initial application of HKFRS 15 HK$'000	At 1 January 2018 HK$'000
Non-current assets				
Available-for-sale investment	27,924	(27,924)	—	—
Financial assets at FVTPL	—	28,355	—	28,355
Current assets				
Available-for-sale investment	29,876	(29,876)	—	—
Financial assets at FVTPL	—	60,609	—	60,609
Current liabilities				
Trade and other payables	124,685	—	(10,894)	113,791
Contract liabilities	—	—	10,894	10,894
Non-current liabilities				
Deferred tax liabilities	—	2,250	—	2,250
Retained profits	171,641	28,914	—	200,555

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

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

HKAS 19 Amendments	Plan Amendment Curtailment or Settlement[1]
HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

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

2 Effective for annual periods on or after 1 January 2020

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

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.

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

HKFRS 16 Leases *(Continued)*

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 2018, the Group has non-cancellable operating lease commitments of HK$91,485,000 as disclosed in note 38. 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$28,661,000 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.

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 amendments to 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, which includes all HKFRSs, HKASs and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which have been measured at fair value, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

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.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 in line with the Group's accounting policies.

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

Business combinations

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group recognises revenue from (i) sales of health and wellness products; (ii) trading and distribution of consumer products, and (iii) provision of logistics services.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (provision of logistics services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method is used to measure the progress towards complete satisfaction of a performance obligation which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its trading and logistics business. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of health and wellness products

Revenue from sales of health and wellness products (including relaxation, fitness and other products) are recognised at a point in time, when control of the good is transferred to the customer, i.e. when goods are delivered to the customer. Customers do not have the option to purchase a warranty separately and warranty is provided to customers for assuring that the product complies with agreed-upon specifications (i.e. assurance-type warranties). The Group accounts for such warranty in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets".

(ii) Trading business

Revenue from trading business represents trading of consumer products are recognised at a point in time, when control of the good is transferred to the customer, i.e. when goods are delivered to the customer.

(iii) Logistics business

Revenue from logistics business represents freight forwarding services and storage services. Freight forwarding services include delivery and distribution of goods. Storage services include loading and unloading and storage management services.

Revenue from logistics business is recognised over time when the customers simultaneously receive and consume the benefits from the Group's performance. Input method is used to measure the progress towards complete satisfaction of a performance obligation which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue recognition (prior to 1 January 2018)

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)*

Investments and other financial assets

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade, bills and other receivables, loans receivable, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the pledged bank deposits and the bank balances to have a low credit risk because the majority of the counterparties are banks with external credit rating of "investment grade" as per globally understood definitions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (Continued)

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 in accordance with transitions in note 3) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade, bills and receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into financial assets at FVTPL, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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 trade, bills and other receivables, loans receivable, amounts due from fellow subsidiaries, 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 (before application of HKFRS 9 on 1 January 2018)

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;
- breach of contract, such as default or delinquency in interest and principal payments;
- 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "other gains and losses" line item.

Derecognition/non-substantial modification of financial liabilities

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.

The Group accounts for an exchange with a lender of a financial liability with the substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition/non-substantial modification of financial liabilities (Continued)

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Convertible bonds that contain debt and derivative components

Convertible bonds 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 bonds 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.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments

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.

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.

Embedded derivatives (under HKFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 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 FVTPL.

Embedded derivatives (before application of HKFRS 9 on 1 January 2018)

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 FVTPL.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

    (i) has control or joint control over the Group;

    (ii) has significant influence over the Group; or

    (iii) is a member of key management personnel of the Group or the Group's parent;

    or

(b) An entity is related to the Group if any of the following conditions applies:

    (i) the entity and the Group are members of the same group;

    (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

    (iii) the entity and the Group are joint ventures of the same third party;

    (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

    (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

    (vi) the entity is controlled or jointly controlled by a person identified in (a);

    (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

    (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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 when the grants are received.

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.

Judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model in HKAS 40, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption contained in HKAS 12 that investment properties measured using the fair value model are recovered through sale is not rebutted. As a result, the Group has not recognised deferred tax on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Estimation uncertainty

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.

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

Estimation uncertainty *(Continued)*

Provision of ECL for trade receivables and loans receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group determines the provision of impairment of loans receivables based on ECL. The Group assesses the ECL for each of the loans receivable individually based on the financial position and the economic environment in which the borrowers operate.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade receivables and loans receivables are disclosed in note 40(b)(iii).

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payments are disclosed in note 43.

Fair value of financial instruments

Where the fair value of financial assets recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 2018 is HK$37,995,000 (31 December 2017: HK$35,197,000).

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

Estimation uncertainty *(Continued)*

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2018 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 2018 is HK$152,700,000 (2017: HK$354,600,000).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sales related taxes, and trading of products and the provision of logistics services during the year.

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

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

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

Sales of health and wellness products business	—	Sales and research and development of health and wellness related products
Trading and logistics business	—	Trading and distribution of 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.

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 and operating segments as mentioned above for the year:

For the year ended 31 December 2018

	Sales of health and wellness products business HK$'000	Trading and logistics business HK$'000	Total HK$'000
Total segment revenue	404,684	484,730	889,414
Recognised at a point in time	404,684	138,782	543,466
Recognised over time	—	345,948	345,948
Inter-segment sales	—	(3,483)	(3,483)
Segment revenue from external customer	404,684	481,247	885,931
Segment profit	5,887	18,225	24,112
Share of results of joint ventures			512
Share of results of associates			3,104
Impairment losses on financial assets			(1,980)
Unallocated administrative expenses			(55,923)
Other gains and losses			57,778
Bank interest income			1,767
Interest income on loans receivable			3,604
Finance costs			(58,374)
Loss before tax			(25,400)
Income tax expense			(5,494)
Loss for the year			(30,894)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2017

	Sales of health and wellness products 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 receivable			2,230
Finance costs			(18,581)
Profit before tax			41,322
Income tax expense			(9,822)
Profit for the year			31,500

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 represents the pre-tax gross profit generated from each segment without allocation of share of results of joint ventures and associates, certain unallocated impairment losses on financial assets, certain unallocated administrative expenses, other gains and losses, bank interest income, interest income on loans receivable, 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 2018

	Sales of health and wellness products 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	**13,710**	**2,820**	**16,530**
Loss on write-off of property, plant and equipment	**105**	**—**	**105**
Gain on disposal of property, plant and equipment	**143**	**607**	**750**
Impairment losses on financial assets	**—**	**1,207**	**1,207**

For the year ended 31 December 2017

	Sales of health and wellness products 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

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

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:

	2018 **HK$'000**	2017 HK$'000
Revenue from contract with customers within the scope of HKFRS 15		
Sales of relaxation products	**390,033**	389,227
Sales of fitness products	**9,821**	18,357
Sales of therapeutic, diagnostic and cookware products	**4,830**	5,961
Sales of consumer products	**144,071**	152,545
Provision of freight forwarding services	**296,525**	237,267
Provision of storage and other ancillary services	**40,651**	30,931
	885,931	834,288

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for all contracts that had an original expected duration of one year or less.

(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**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Hong Kong	**198,772**	217,275	**281,000**	448,375
Macau	**25,599**	24,625	**158**	14
PRC	**604,093**	547,144	**276,296**	80,044
Malaysia	**8,170**	9,327	**292**	522
Singapore	**49,297**	35,917	**2,000**	1,780
	885,931	834,288	**559,746**	530,735

(e) Segment assets and liabilities

No information about segment assets and liabilities is presented as such information is not regularly provided to the chief operating decision makers for resource allocation and performance assessment purposes.

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Repair income	**1,708**	1,570
Delivery income	**427**	344
Bank interest income	**1,767**	4,230
Interest income on loans receivable	**3,604**	2,230
Warranty income	**134**	296
Rental income	**10,999**	8,806
Government grant (Note)	**2,069**	2,530
Sundry income	**2,349**	685
	23,057	20,691

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

8. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Gain on fair value change of derivatives embedded in convertible bonds	**15,842**	9,462
Gain on fair value change of financial assets held for trading	**—**	1,081
Gain on fair value change of financial assets at fair value through profit or loss	**6,028**	—
Gain on fair value change of investment properties	**34,150**	40,846
Gain on disposal of property, plant and equipment	**750**	329
Gain on disposal of an associate (Note 19(d))	**2,295**	—
Loss on write-off of property, plant and equipment	**(105)**	(384)
Net exchange (loss)/gain	**(1,056)**	3,177
Others	**(126)**	—
	57,778	54,511

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
Bank borrowings	**9,793**	3,111
Convertible bonds (Note 33)	**39,253**	13,927
Finance leases	**389**	384
Senior note (Note 34)	**8,939**	1,159
	58,374	18,581

10. (LOSS)/PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	**761**	761
Auditor's remuneration	**2,100**	2,420
Cost of inventories recognised as an expense	**234,885**	281,630
Depreciation of property, plant and equipment	**15,769**	13,379
Gross rental income from investment properties	**(10,670)**	(8,806)
Less: Direct operating expenses incurred from investment properties that generated rental income during the year	**1,641**	1,065
	(9,029)	(7,741)
Operating lease payments in respect of rented premises (included in cost of sales and selling expenses)		
– Minimum lease payments	**63,834**	67,763
– Contingent rent	**44,073**	47,541
Staff costs:		
– Fee, salaries and other benefits (including directors' remuneration)	**143,964**	132,707
– Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**10,874**	10,683
– Share-based payment expenses	**2,081**	5,399
	156,919	148,789

11. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**1,523**	1,308
Macau Complimentary Income Tax	**797**	654
Malaysian Corporate Income Tax	**23**	22
PRC Enterprise Income Tax ("EIT")	**5,220**	8,192
	7,563	10,176
Under/(over) provision of taxation in prior years:		
Hong Kong Profits Tax	**181**	2
Macau Complimentary Income Tax	**—**	(317)
Malaysian Corporate Income Tax	**—**	(39)
	181	(354)
Deferred tax credit (Note 21)	**(2,250)**	—
	5,494	9,822

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 both years 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 a PRC subsidiary is 25% of taxable income for both years.

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

	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax	**(25,400)**	41,322
Tax at PRC EIT Tax rate of 25%	**(6,350)**	10,331
Tax effect of income not taxable for tax purposes	**(6,451)**	(15,113)
Tax effect of expenses not deductible for tax purposes	**4,048**	10,174
Tax effect on tax exemption	**—**	(69)
Tax effect of tax losses and other deductible temporary difference previously not recognised	**11,526**	6,109
Tax effect of different tax rates on operations in other jurisdictions	**2,620**	(1,428)
Underprovision/(overprovision) of taxation in prior years	**181**	(354)
Others	**(80)**	172
Income tax expense for the year	**5,494**	9,822

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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is as follows:

	For the year ended 31 December 2018					
	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. Li Dongming	—	3,000	358	18	352	3,728
Mr. Huang Jingkai	—	2,000	250	18	283	2,551
Mr. Yip Chee Lai, Charlie	—	2,856	—	18	193	3,067
Independent non-executive directors						
Mr. Han Biao	150	—	—	—	—	150
Mr. Wong Lit Chor, Alexis	200	—	—	—	20	220
Mr. Li Qi	150	—	—	—	—	150
Non-executive directors						
Mr. Zhong Baisheng	—	—	—	—	—	—
Ms. Zhang Yan	—	—	—	—	—	—
	500	7,856	608	54	848	9,866

12. DIRECTORS' EMOLUMENTS *(Continued)*

	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. Li Dongming	—	3,000	—	18	538	3,556
Mr. Huang Jingkai	—	1,583	250	18	660	2,511
Mr. Yip Chee Lai, Charlie	—	2,854	177	17	481	3,529
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

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.

The emoluments of Mr. Li Dongming disclosed above include those for services rendered by him 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 (2017: three) are the directors of the Group during the year, whose emoluments are included in note 12 above. The emoluments of remaining two (2017: two) individuals during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Salary and other benefits	**4,351**	3,403
Performance related incentive payments	**143**	769
Retirement benefits scheme contributions	**36**	47
Share-based payments	**179**	493
Total emoluments	**4,709**	4,712

Their emoluments were within the following bands:

	2018	2017
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	1
	2	2

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

	2018 **HK$'000**	2017 HK$'000
Dividends recognised as distributions during the year:		
For the year ended 31 December 2017		
Final – HK cents 2.3 per share	**8,047**	—

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: HK cents 2.3 per share).

15. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(33,922)**	24,142

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

Note: The computation of diluted (loss)/earnings per share for both years 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 of the Company's shares and does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in a decrease in loss per share for the year ended 31 December 2018 (2017: increase in earnings per share).

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 2017	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
Additions	—	3,246	3,247	11,065	11,244	28,802
Transferred from investment properties (Note 17)	236,050	—	—	—	—	236,050
Disposals	—	(150)	(3,758)	(748)	—	(4,656)
Write-off	—	(149)	—	(252)	—	(401)
Exchange adjustments	—	(272)	(65)	(1,027)	(713)	(2,077)
At 31 December 2018	**308,891**	**24,573**	**9,664**	**52,886**	**18,111**	**414,125**
DEPRECIATION						
At 1 January 2017	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
Provided for the year	1,981	1,969	2,320	8,017	1,482	15,769
Eliminated on disposals	—	(150)	(2,640)	(390)	—	(3,180)
Eliminated on write-off	—	(100)	—	(196)	—	(296)
Exchange adjustments	—	(217)	(52)	(913)	(137)	(1,319)
At 31 December 2018	**5,391**	**19,737**	**3,948**	**42,845**	**3,225**	**75,146**
CARRYING VALUES						
At 31 December 2018	**303,500**	**4,836**	**5,716**	**10,041**	**14,886**	**338,979**
At 31 December 2017	69,431	3,663	5,920	7,521	5,700	92,235

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 leasehold land in Hong Kong.

The carrying value of motor vehicles includes an amount of HK$4,924,000 (2017: HK$4,988,000) 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.

On 9 November 2018, certain investment properties which have been rented out to fellow subsidiaries 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$236,050,000 becomes the deemed cost recognised as property, plant and equipment. The difference between fair value and the carrying amounts of the properties at the date of transfer amounting to HK$22,650,000 is recognised in profit or loss included in other gains and losses for the year ended 31 December 2018.

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 Appraisal and Consulting Limited (2017: APAC Asset Valuation and Consulting Limited), independent qualified professional valuers not connected with the Group, using the income capitalisation method or direct comparison 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. The adjusted unit sale rate is made reference to recent transaction price 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

	2018 HK$'000	2017 HK$'000
FAIR VALUE		
At 1 January	**354,600**	10,254
Transferred from property, plant and equipment (Note 16)	**—**	251,000
Transferred to property, plant and equipment (Note 16)	**(236,050)**	(67,500)
Increase in fair value (included in other gains and losses)	**34,150**	40,846
Acquisition of a subsidiary (Note 36)	**—**	120,000
At 31 December	**152,700**	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 2018 and 2017 were stated at fair value which had been arrived at on the basis of a valuation carried out as at those dates by APAC Appraisal and Consulting Limited (2017: APAC Asset Valuation and Consulting Limited, Cushman & Wakefield Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited), which are firms of 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 2018 and 2017 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$152,700,000 (2017: HK$11,200,000)	Level 3	Direct comparison method The key input is		
		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 ranging from HK$11,000 to HK$19,000 (2017: HK$14,000) 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 in 2017	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%.	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 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 for both years.

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

	2018 **HK$'000**	2017 HK$'000
Cost of investments, unlisted	**175**	36,198
Share of post-acquisition losses	**(175)**	(682)
	—	35,516

The following set out the particulars of the joint ventures of the Group as at 31 December 2018 and 2017:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2018	2017	**2018**	2017	
TBRJ (Note (a))	Cayman Islands	Ordinary shares	**45%**	45%	**33.3%**	33.3%	Provision of asset management and investment advisory services
Yantai Leteng LP (Note (b))	PRC	Paid-up capital	**—**	50%	**—**	50%	Investment holding

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$27,781,000) 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 an available-for-sale investment of the Group (Note 20) under HKAS 39 as at 31 December 2017 and classified as a financial asset at fair value through profit or loss under HKFRS 9 as at 1 January 2018.

(b) On 29 November 2017, 煙台騰邦股權投資管理有限公司("Yantai Tengbang"), 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. Upon the completion of the capital contribution from all shareholders, the Group will hold 20% of equity interest in Yantai Lenteng LP. Tempus OTO (Shenzhen) contributed RMB30,000,000 (equivalent to HK$36,023,000) to Yantai Leteng LP as a limited partner. Pursuant to the shareholders' agreement, 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 investee 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 as at 31 December 2017. As at 31 December 2017, capital contribution to Yantai Leteng LP is outstanding from a shareholder, 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.

During the year ended 31 December 2018, a shareholder of Yantai Leteng LP contributed RMB30,000,000 (equivalent to HK$35,610,000) to Yantai Leteng LP, resulting in a dilution of the Group's share of net assets of Yantai Leteng LP from 50% to 33.3%. Therefore, Yantai Leteng LP is transferred from interests in joint venture to interests in associates.

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.

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Yantai Leteng LP		
Financial position		
Current assets	**—**	72,056

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Net assets	**—**	72,056
The Group's share of net assets	**—**	36,028

Aggregate information of joint venture that is not individually material:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**—**	(512)
Aggregate amount of the Group's share on that joint venture's profit/(loss) from operations	**512**	(687)
Other comprehensive income	**—**	—
Total comprehensive income/(loss)	**512**	(687)

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

19. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investments, unlisted	**52,798**	1,840
Share of post-acquisition losses	**(551)**	(2)
	52,247	1,838

The following set out the particulars of the associates of the Group as at 31 December 2018 and 2017:

Name of associate	Place of establishment/ operations	Class of shares held	Proportion of ownership interest 2018	Proportion of ownership interest 2017	Proportion of voting rights held 2018	Proportion of voting rights held 2017	Nature of business
Yantai Tengbang (Note (a))	PRC	Paid-up capital	**40%**	40%	**40%**	40%	Provision of asset management and investment advisory services
Art Of Wine Cellars Company Limited	Hong Kong	Ordinary shares	**40%**	40%	**40%**	40%	Inactive
Yantai Leteng LP (Note 18(b))	PRC	Paid-up capital	**33.3%**	—	**33.3%**	—	Investment holding
廣東數程(Note (b))	PRC	Paid-up capital	**14.3%**	—	**14.3%**	—	Inactive
按爽智能(Note (c))	PRC	Paid-up capital	**20%**	—	**20%**	—	Inactive

Notes:

(a) 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. 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.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) On 26 April 2018, 珠海騰邦金躍投資有限公司 ("Tempus Jinyue"), an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with eight leading supply chain enterprises or its subsidiaries in the PRC, in relation to the formation of the associate engaging in supply chain big data business, pursuant to which, Tempus Jinyue contributed approximately RMB11,111,000 (equivalent to HK$12,652,000) to 廣東數程科技有限公司 ("廣東數程"). Upon the completion of the capital contribution from all shareholders, the Group will hold 11.1% of equity interest in 廣東數程. Pursuant to shareholders' agreement, each shareholder has a right to appoint one director in the board of directors of 廣東數程 who is responsible for making decision over the relevant activities of 廣東數程. In this regard, the investment is accounted for as an associate of the Company as at 31 December 2018. As at 31 December 2018, capital contribution to 廣東數程 is outstanding from two shareholders, therefore the Group shares 14.3% of the net assets of 廣東數程, which is equivalent to its proportion of capital contribution as at 31 December 2018.

(c) On 10 April 2018, Shenzhen Tempus entered into a shareholders' agreement with two independent third parties for the establishment of 深圳市按爽智能設備有限公司 ("按爽智能"). Shenzhen Tengbang contributed RMB2,000,000 (equivalent to approximately HK$2,277,000) to the registered capital of 按爽智能. Upon the completion of the capital contribution, the Group holds 20% equity interest in 按爽智能. The Group has the right to appoint one out of seven directors of the board, which is responsible for making decisions of relevant activities of 按爽智能. In this regard, the investment is accounted for as an associate of the Group.

(d) On 12 October 2017, the Group, Yundongli (Tianjin) 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 Group 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 Group 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. Deposits of RMB30,000,000 (equivalent to approximately HK$36,023,000) has been paid during the year ended 31 December 2017. The remaining of the consideration amounted to RMB30,000,000 (approximately HK$34,416,000) has been paid in February 2018. The transaction was completed on 16 January 2018. Upon completion of the transaction, the Group holds 12.0% of the enlarged equity interest of Yundongli and is accounted for as an associate of the Company as the Group 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.

Pursuant to the agreement, one of YDL Vendors, (the "founding shareholders") have the obligation to repurchase all the equity interest held by the Group (or its nominated entity) in Yundongli upon the happening of certain prescribed triggering events (the "Repurchase Triggering Events"). The Group had not received Yundongli's 2017 auditor's report (without qualified opinions) before 31 March 2018, and that has constituted one of the Repurchase Triggering Events. Therefore, on 28 December 2018, the Group entered into the repurchase agreement with the founding shareholders for the disposal of the 12% equity interest in Yundongli for a cash consideration of RMB67,220,000 (equivalent to approximately HK$76,386,000). During the year ended 31 December 2018, out of the total consideration, RMB28,710,000 (approximately HK$32,535,000) was satisfied by cash. A gain on disposal of HK$2,295,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's material associates, which are unlisted corporate entities whose quoted market price are not available, is set out below:

Yantai Leteng LP	**As at 31 December 2018 HK$'000**
Gross amounts of the associate's	
Current assets	**2,256**
Non-current assets	**100,012**
Current liabilities	**—**
Non-current liabilities	**—**
Equity	**102,268**
Revenue	**—**
Loss and total comprehensive loss	**(297)**
Reconciled to Group's interests in the associate	
Gross amount of net assets of the associate	**102,268**
Group's effective interest	**33.3%**
Group's share of net assets of the associate	**34,055**
Group's share of results of the associate for the year	**(99)**

廣東數程	**As at 31 December 2018 HK$'000**
Gross amounts of the associate's	
Current assets	**85,876**
Non-current assets	**—**
Current liabilities	**(1,139)**
Non-current liabilities	**—**
Equity	**84,737**
Revenue	**—**
Loss and total comprehensive loss	**(3,990)**
Reconciled to Group's interests in the associate	
Gross amount of net assets of the associate	**84,737**
Group's effective interest	**14.3%**
Group's share of net assets of the associate	**12,117**
Group's share of results of the associate for the year	**(570)**

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**4,236**	1,838
Aggregate amount of the Group's share on those associates' profit/(loss) from operations	**120**	(2)
Other comprehensive income	**—**	—
Total comprehensive income/(loss)	**120**	(2)

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

Financial assets at fair value through profit or loss comprise:

	31.12.2018 HK$'000	1.1.2018 HK$'000	31.12.2017 HK$'000
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted investments:			
– Equity securities (Note (a) and Note (b))	—	60,609	—
– Equity interest in TBRJ Fund (Note 18(a) and Note (a))	30,768	28,355	—
– Equity interest in 格洛博(Note (c))	14,993	—	—
	45,761	88,964	—

Available-for-sale investments comprise:

	As at 31 December 2018 HK$'000	2017 HK$'000
Unlisted investments at cost:		
– Equity securities (Note (a) and Note (b))	—	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

Notes:

(a) Upon application of HKFRS 9, the equity interests in TBRJ Fund and Shanghai Pinzhi Medical Technology Development Co. Ltd.上海品智醫療技術發展有限公司(formerly known as Shanghai Pinzhi Investment Management Co. Ltd上海品投資管理有限公司)("Shanghai Pinzhi") held by the Group was reclassified from available-for-sale investments to financial assets at fair value through profit or loss as at 1 January 2018.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) On 13 January 2017, Tempus OTO (Shenzhen) entered into a loan agreement with an independent third party, Shanghai Pinzhi and existing shareholders of Shanghai Pinzhi, pursuant to which Tempus OTO (Shenzhen) agreed to lend to 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 which was due on 12 January 2018. Upon the maturity date of the Loan, Tempus OTO (Shenzhen) may, at its 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 for a consideration of RMB50,000,000 (equivalent to approximately HK$60,609,000) 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). The disposal transaction was completed on 25 June 2018. The remaining consideration amounted to RMB40,000,000 (equivalent to approximately HK$48,601,000) was received during the year ended 31 December 2018. Based on the specific transitional provisions set out in HKFRS 9, investment in Shanghai Pinzhi had to be measured at fair value at the date of initial application (i.e. 1 January 2018), with any difference between the fair value and carrying amount under HKAS 39 being recognised in the opening retained earnings as of 1 January 2018.

(c) On 8 August 2018, Tempus OTO (Shenzhen) and two independent third parties (together, the "Investor") entered into an agreement with the founding shareholders for the injection of new capital to 重慶格洛博電子商務有限公司 ("格洛博") by the Investor. Upon the completion of the capital contribution of RMB10,500,000 (approximately HK$11,954,000), the Group held 7% of equity interest in 格洛博.

As at 31 December 2017, 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

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

	Tax losses HK$'000	Depreciation in excess of tax allowance on property, plant and equipment HK$'000	Fair value change for FVTPL HK$'000	Total HK$'000
At 1 January 2017 and 31 December 2017	—	1,253	—	1,253
Impact on initial application of HKFRS 9	5,541	—	(7,791)	(2,250)
At 1 January 2018 (restated)	5,541	1,253	(7,791)	(997)
(Charge)/credit to profit or loss (Note 11)	(5,541)	—	7,791	2,250
At 31 December 2018	—	1,253	—	1,253

Reconciliation to the consolidated statement of financial position	31.12.2018 HK$'000	1.1.2018 HK$'000	31.12.2017 HK$'000
Net deferred tax assets	1,253	1,253	1,253
Net deferred tax liabilities	—	(2,250)	—
	1,253	(997)	1,253

As at 31 December 2018, the Group has unused tax losses of HK$148,283,000 (2017: HK$54,983,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future assessable profit streams. The tax losses amounting to HK$142,141,000 and HK$6,142,000 as at 31 December 2018 may be carried forward indefinitely and expire within five years respectively.

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$110,367,000 (2017: HK$55,286,000). No deferred taxation has been recognised in respect of this difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

22. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	**3,807**
AMORTISATION	
Charge for the year	761
At 31 December 2017	761
Charge for the year	761
At 31 December 2018	**1,522**
CARRYING VALUES	
At 31 December 2018	**2,285**
At 31 December 2017	3,046

Intangible assets represent customer relationships from ongoing operations and are amortised on straight-line basis over 5 years.

23. GOODWILL

	HK$'000
At 1 January 2017, 31 December 2017 and 31 December 2018	**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 2018, 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% (2017: 18%). The cash flows beyond the five-year period are extrapolated using a 3% (2017: 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

As at 31 December 2017, utility and other deposits paid include deposit paid for acquisition of an associate (the "Acquisition") of HK$36,023,000 (note 19(d)) 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. The Acquisition has been completed during the year ended 31 December 2018.

During the year ended 31 December 2018, the deposit paid for acquisition of associate was recognised as investments in associates upon completion of the Acquisition.

Pledged bank deposits carry interest at rates ranging from 0.13% to 0.25% (2017: 0.30%) per annum. Deposits amounting to HK$9,119,000 (2017: HK$9,678,000) 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% (2017: 0.01% to 0.35%) per annum and fixed interest at rates ranging from 0.30% to 1.45% (2017: 0.30% to 1.45%) per annum.

As at 31 December 2017, bank deposits with original maturity over three months carry fixed interest at rates ranging from 0.10% to 3.65% per annum.

25. INVENTORIES

All inventories represent finished goods held for resale.

26. TRADE, BILLS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**158,160**	177,856
Bills receivable	**7,873**	9,520
Prepayments (Note (b))	**49,053**	23,495
Other receivables (Note (c))	**69,929**	8,716
	285,015	219,587

Notes:

(a) Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 40.

(b) As at 31 December 2018, prepayments mainly represent prepayments to suppliers amounting to HK$34,716,000 (2017: HK$7,840,000).

(c) As at 31 December 2018, other receivables mainly represent the receivable arising from disposal of an associate (note 19(d)) amounting to RMB38,510,000 (approximately HK$43,851,000) (2017: Nil).

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

For sales of health and wellness products 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 to 90 days to the corporate customers.

For trading and logistics business:

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

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

	2018	2017
	HK$'000	HK$'000
0 – 30 days	**123,241**	116,859
31 – 60 days	**21,373**	30,596
61 – 90 days	**7,773**	10,957
Over 90 days	**5,773**	19,444
	158,160	177,856

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 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$42,725,000 (31 December 2017: HK$48,063,000) 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.

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

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

	2018 HK$'000	2017 HK$'000
1 – 30 days	**18,385**	24,992
31 – 60 days	**15,185**	10,666
61 – 90 days	**5,392**	5,350
Over 90 days	**3,763**	7,055
	42,725	48,063

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.

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**1,050**	120
31 – 60 days	**673**	840
61 – 90 days	**1,822**	120
Over 90 days	**4,328**	8,440
	7,873	9,520

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

27. LOANS RECEIVABLE

(a) Pursuant to an agreement dated 5 June 2018 entered into by the Group and an independent third party, the Group has provided to an independent third party a term loan of HK$20,000,000 which carries interest at 15% per annum, with maturity of one year and secured by a batch of red wines. The loan had been fully repaid during the year ended 31 December 2018.

(b) 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 with 3 months each upon maturity at the discretion of the borrower. On 19 June 2018, the Group extended the loan agreement with the borrower for a year with maturity date on 18 June 2019 and carried interest at 12% per annum.

As at 31 December 2018, impairment allowance for the loans receivable amounted to HK$1,980,000 was provided based on the financial position and the economic environment the borrower operates.

(c) 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. The loan had been fully repaid during the year ended 31 December 2018.

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

	2018	2017
	HK$'000	HK$'000
Amounts due from:		
Fellow subsidiaries	**—**	556
Amounts due to:		
Fellow subsidiaries	**—**	1,054
An intermediate holding company		
Current	**1,355**	—
Non-current	**—**	15,332

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 to 60 days.

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

As at 31 December 2018, the amount due to an intermediate holding company is unsecured, interest-free, non-trade in nature and repayable within one year from the end of the reporting period.

29. TRADE AND OTHER PAYABLES

	31.12.2018	**1.1.2018**	31.12.2017
	HK$'000	**HK$'000**	HK$'000
Trade payables	**59,914**	**61,844**	61,844
Receipts in advance (Note)	**2,250**	**2,235**	13,129
Accruals	**17,824**	**12,224**	12,224
Deposit received in respect of disposal of available-for-sale investments (Note 20(b))	**—**	**12,008**	12,008
Others	**19,748**	**25,480**	25,480
	99,736	**113,791**	124,685

Note: Upon the adoption of HKFRS 15, deposit received in advance from customers of trading of goods and logistics services of HK$10,894,000 are included in contract liabilities as disclosed in note 30.

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

	2018	2017
	HK$'000	HK$'000
0 – 30 days	**39,064**	47,930
31 – 60 days	**9,380**	11,958
61 – 90 days	**4,119**	1,860
Over 90 days	**7,351**	96
	59,914	61,844

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

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30. CONTRACT LIABILITIES

	31.12.2018 HK$'000	1.1.2018 HK$'000 (Note (b))	31.12.2017 HK$'000
Sales of health and wellness products	15,129	6,763	—
Trading and logistics	5,217	4,131	—
	20,346	10,894	—

Notes:

(a) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance as of 1 January 2018.

(b) Upon the adoption of HKFRS 15, these amounts were reclassified from Trade and other payables (Note 29) to contract liabilities.

Movement of contract liabilities

	2018 HK$'000
At 1 January	10,894
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(10,894)
Increase in contract liabilities as a result of receiving deposit for trading of goods	15,129
Increase in contract liabilities as a result of billing in advance for provision of logistics services	5,217
At 31 December	20,346

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**2,163**	2,512	**1,925**	2,239
In more than one year but not more than five years	**3,394**	3,348	**3,194**	3,146
	5,557	5,860	**5,119**	5,385
Less: Future finance charges	**(438)**	(475)	**N/A**	N/A
Present value of lease obligations	**5,119**	5,385	**5,119**	5,385
Less: Amounts due within one year shown under current liabilities			**(1,925)**	(2,239)
Amounts due after one year shown under non-current liabilities			**3,194**	3,146

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 2.93% (2017: 3.06%) per annum. Interest rate is fixed and ranges from 1.98% to 3.75% (2017: 1.80% to 4.96%) 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$.

32. BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Secured trust receipt loans	**6,889**	6,761
Secured bank loans	**285,807**	142,316
Bank overdraft	**1,029**	242
	293,725	149,319
Carrying amount of bank borrowings that do not contain a repayment on demand clause and are repayable:		
On demand and within one year	**121,020**	64,937
In more than one year but not more than two years	**94,093**	3,518
In more than two years but not more than five years	**14,813**	10,978
More than five years	**53,640**	60,643
	283,566	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	**10,159**	9,202
In more than one year but not more than two years	**—**	41
	10,159	9,243
	293,725	149,319
Less: Amounts due within one year shown under current liabilities	**(131,179)**	(74,180)
Amounts shown under non-current liabilities	**162,546**	75,139

As at 31 December 2018, bank borrowing that contain a repayment on demand clause amounting to HK$10,159,000 is classified as current liabilities.

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 of HK$9,243,000. Accordingly, the bank borrowings are presented based on the scheduled repayment dates set out in the loan agreements as at 31 December 2017.

32. BANK BORROWINGS *(Continued)*

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

	2018	2017
	HK$'000	HK$'000
Variable rates:		
- 1.3% over 1 month Hong Kong Interbank Offered Rate ("HIBOR")	**284,595**	140,318
- London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.25%	**6,889**	6,761
- 1% over HK$ prime rate	**2,200**	2,120
- 1% below HK$ prime rate	**41**	120
	293,725	149,319

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

	2018	2017
Variable rate borrowings	**2.24% – 6.25%**	2.11% – 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:

	2018	2017
	HK$'000	HK$'000
Denominated in US$	**6,889**	6,761

33. CONVERTIBLE BONDS

Convertible bonds issued in 2017 ("CB 2017")

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 bonds 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 the date falling six months after the issue date of the CB 2017 and expiring on five business days before the respective maturity date. 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 bonds) without having to ensure that the bond would rank, in right of payment, and be secured equally and ratably. If such approval is not granted by the bondholder, the Company shall have right to early redeem the relevant convertible bonds 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 bonds 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 bond is insignificant at initial recognition and at the end of the reporting period after assessing the financial position of the Group.

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.

During the year ended 31 December 2018, the CB 2017 was fully redeemed by the bondholders.

33. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued in 2017 ("CB 2017") *(Continued)*

The CB 2017 contains two components: debt and derivative components amounting 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 (bondholder conversion right) embedded in the convertible bonds 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)
At 31 December 2017 and 1 January 2018	**153,066**	**6,612**	**159,678**
Interest charged	**18,057**	**—**	**18,057**
Interest paid	**(4,947)**	**—**	**(4,947)**
Change in fair value	**—**	**(6,612)**	**(6,612)**
Redemption of convertible bonds	**(166,176)**	**—**	**(166,176)**
At 31 December 2018	**—**	**—**	**—**

33. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued on 1 June 2018 ("CB 2018A") and on 16 October 2018 ("CB 2018B")

On 15 May 2018, the Company entered into a subscription agreement (the "Agreement A") with another independent third party (the "Subscriber"). Pursuant to the Agreement A, the Subscriber agreed to acquire the convertible bonds with principal amount of HK$160,000,000 at an interest rate of 7% per annum and guaranteed by the non-executive director, Mr. Zhong Baisheng. The CB 2018A were issued to the Subscriber on 1 June 2018 and will be due on 30 May 2019.

The Subscriber has the right to convert the CB 2018A in whole into shares at the maturity date. 67,510,549 new shares will be issued upon full conversion of the CB 2018A based on the initial conversion price of HK$2.37 per share which is subject to certain adjustments as set out in the Agreement A.

The CB 2018A will be redeemed on maturity at its principal amount outstanding together with accrued interest due and payable by the Company on the maturity date.

The CB 2018A contain two components: debt and derivative components amounting to HK$143,690,000 and HK$16,310,000 at initial recognition and HK$154,274,000 and HK$3,200,000 at 31 December 2018, 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 22.9% per annum, which was determined with reference to the prevailing market rates of interest for a similar instrument with a similar credit rating.

On 9 October 2018, the Company entered into another subscription agreement (the "Agreement B") with the Subscriber. Pursuant to the Agreement B, the Subscriber agreed to further acquire the convertible bonds with principal amount of HK$30,000,000 at an interest rate of 7% per annum and guaranteed by the non-executive director, Mr. Zhong Baisheng. The CB 2018B were issued to the Subscriber on 16 October 2018 and will be due on 14 October 2019.

The Subscriber has the right to convert the CB 2018B in whole into shares at the maturity date. 23,510,971 new shares will be issued upon full conversion of the CB 2018B based on the initial conversion price of HK$1.276 per share which is subject to certain adjustments as set out in the Agreement B.

The CB 2018B will be redeemed on maturity at its principal amount outstanding together with accrued interest due and payable by the Company on the maturity date.

33. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued on 1 June 2018 ("CB 2018A") and on 16 October 2018 ("CB 2018B") *(Continued)*

The CB 2018B contains two components: debt and derivative components amounting to HK$26,985,000 and HK$3,015,000 at initial recognition and HK$27,859,000 and HK$6,895,000 at 31 December 2018, 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 22.7% 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 bonds at initial recognition and at 31 December 2018 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 2018	
	CB 2018A	**CB 2018B**	**CB 2018A**	**CB 2018B**
Share price	**HK$1.68**	**HK$1.20**	**HK$1.09**	**HK$1.09**
Exercise price	**HK$2.37**	**HK$1.276**	**HK$2.37**	**HK$1.276**
Expected volatility	**55.52%**	**75.54%**	**91.29%**	**81.05%**
Expected dividend yield	**0.72%**	**0.72%**	**0.72%**	**0.72%**

The movement of the debt and derivative components of CB 2018A and CB 2018B for the current period are set out as below:

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
Issue of CB 2018A	**143,690**	**16,310**	**160,000**
Issuance cost of CB 2018A	**(1,600)**	**—**	**(1,600)**
Issue of CB 2018B	**26,985**	**3,015**	**30,000**
Issuance cost of CB 2018B	**(300)**	**—**	**(300)**
Interest charged	**19,296**	**—**	**19,296**
Interest paid	**(5,938)**	**—**	**(5,938)**
Change in fair value	**—**	**(9,230)**	**(9,230)**
As at 31 December 2018	**182,133**	**10,095**	**192,228**

34. SENIOR NOTE

	2018 HK$'000	2017 HK$'000
At 1 January	**100,451**	—
Issue of new senior note	**—**	100,000
Less: Transaction costs	**—**	(708)
Interest charged during the year	**9,194**	1,159
Interest paid during the year	**(9,000)**	—
Repayment of senior note	**(50,000)**	—
At 31 December	**50,645**	100,451

On 13 November 2017, the Company issued a senior note of HK$100,000,000 to an independent third party. On 13 November 2018, the Group repaid the senior note with a principal amount of HK$50,000,000. On the same date, the holder agreed to extend the maturity date of the remaining senior note to 13 November 2019. The senior note bears coupon at 7% per annum payable semi-annually in arrears.

The senior 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 senior note ranked at least equally with all its other present and future unsecured and unsubordinated obligations.

35. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	349,876,800	3,498,768

	2018 HK$'000	2017 HK$'000
Presented as	**27,279**	27,279

36. ACQUISITION OF A SUBSIDIARY

Acquisition of assets through acquisition of a subsidiary

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, for 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.

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

37. PLEDGE OF ASSETS

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

	2018 **HK$'000**	2017 HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**238,113**	69,431
Investment properties	**152,700**	354,600
Pledged bank deposits	**9,119**	9,678
	399,932	433,709

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.

38. 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 future minimum lease payments for premises under non-cancellable operating leases which fall due:

	2018	2017
	HK$'000	HK$'000
Within one year	**2,159**	11,525
In the second to fifth years inclusive	**112**	11,327
	2,271	22,852

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

The Group as lessee

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

	2018	2017
	HK$'000	HK$'000
Within one year	**48,803**	31,829
In the second to fifth years inclusive	**42,682**	16,961
	91,485	48,790

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.

39. 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.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
At amortised cost/loans and receivables (including cash and cash equivalents)	**392,278**	380,448
FVTPL	**45,761**	—
AFS	**—**	57,800
Financial liabilities		
Liabilities at amortised cost	**611,614**	493,165
Derivatives	**10,095**	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.

40. 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**7,592**	3,507	**15,700**	24,813
HK$	**8,190**	8,699	**—**	—
Renminbi ("RMB")	**8,408**	45,073	**—**	15,365

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 against HK$.

The following table details the Group's sensitivity to a 10% (2017: 10%) increase or decrease in HK$ against RMB. 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% (2017: 10%) change in foreign currency rates. The following table indicates the impact to the profit/loss after tax where HK$ strengthens 10% (2017: 10%) against the respective foreign currencies. For a 10% (2017: 10%) weakening of HK$ against the foreign currency, there would be an equal and opposite impact on the profit/loss after tax.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit for the year
	%	HK$'000
2018		
If HK$ weakens against RMB	**10**	630
If HK$ strengthens against RMB	**(10)**	(630)
2017		
If HK$ weakens against RMB	**10**	2,481
If HK$ strengthens against RMB	**(10)**	(2,481)

40. 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 31), convertible bonds (Note 33) and senior note (Note 34). 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 (2017: 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 (2017: 50 basis points) higher or lower and all other variables were held constant, the potential effect on the Group's profit/loss after tax for the year ended 31 December 2018 would decrease or increase by approximately HK$1,226,000 (2017: decrease or increase by approximately HK$623,000).

40. 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.

The Group has concentration of credit risk as 30% (2017: 34%) of the total trade receivables representing amounts due from the Group's largest five trade debtors including department stores and wholesale customers. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The directors are of the opinion that the credit risk of trade receivables is low based on the sound collection history of the receivables due from them and the economic environment the debtors operate. Therefore the ECL rate of the trade receivables is assessed to be closed to zero and no provision was made as at 31 December 2018.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The Group has written off a trade receivable amounting to HK$1,207,000 for the year ended 31 December 2018.

As at 31 December 2018, the Group has concentration risk as 77% of total other receivables representing amounts due from the founding shareholders of Yundongli (Note 19(d)). No allowance for impairment was made for other receivables since the directors of the Company consider the probability of default is minimal after assessing the counterparties' financial background and creditability.

At 31 December 2018, the Group has concentration of credit risk on loans receivable from one counterparty (2017: two counterparties). As part of the Group's credit risk management, the Group assessed the ECL for each of the loans receivable individually.

As at 31 December 2018, impairment allowance for the loans receivable amounted to HK$1,980,000 was provided based on the financial position and the economic environment the borrower operates.

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

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.

40. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Other price risk

Price risk on embedded derivatives components of the convertible bonds

For the year ended 31 December 2018, the Company is required to estimate the fair value of the derivative component of the convertible bonds, including conversion options, with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible bonds 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 (loss)/profit for the year would decrease by HK$1,697,000 (2017: HK$3,112,000)/increase by HK$1,186,000 (2017: HK$842,000), as a result of changes in fair value of the derivative component of the convertible bonds. 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 (loss)/profit for the year would decrease by HK$1,287,000 (2017: HK$2,494,000)/increase by HK$750,000 (2017: HK$491,000), as a result of changes in fair value of the derivative component of the convertible bonds.

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 2018, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$2,381,000 (2017: HK$3,167,000) and HK$37,770,000 (2017: HK$240,899,000) respectively. Details of which are set out in note 32.

40. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk (Continued)

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.

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
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018						
Financial liabilities						
Trade and other payables	—	83,756	—	—	83,756	83,756
Amount due to an intermediate holding company	—	1,355	—	—	1,355	1,355
Bank borrowings at variable interest rate	2.5	64,053	72,889	180,823	317,765	293,725
Senior note	7.0	—	53,500	—	53,500	50,645
Convertible bonds	22.9	—	199,928	—	199,928	192,228
Obligations under finance leases	3.5	656	1,507	3,394	5,557	5,119
		149,820	327,824	184,217	661,861	626,828

40. 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 HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 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 bonds	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

As at 31 December 2018 and 2017, 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$10,159,000 (2017: HK$9,243,000). 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:

40. 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 2018	**10,250**	**—**	**—**	**—**	**10,250**	**10,159**
31 December 2017	9,253	42	—	—	9,295	9,243

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.

40. 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)*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at 2018 HK$'000	Fair value as at 2017 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL (Unlisted equity securities)	**45,761**	—	Level 3	Income approach The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, with 3 percent. Long-term pre-tax operating margin taking into account management's experience and knowledge of market conditions of the specific industries ranging from 14 to 43 percent. Weighted average cost of capital ("WACC"), ranging from 14 to 17 percent.
Derivative components in relation to the convertible bonds	**10,095**	6,612	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.

40. 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)*

Reconciliation of Level 3 fair value measurement of financial assets and financial liabilities

	Financial assets at FVTPL HK$'000	Derivative components of convertible bonds HK$'000
At 1 January 2017	—	—
Additions	—	16,074
Fair value change recognised in profit or loss	—	(9,462)
At 31 December 2017	—	6,612
Impact on initial application of HKFRS 9	88,964	—
At 1 January 2018	**88,964**	**6,612**
Additions	**11,954**	**19,325**
Disposals	**(60,609)**	**—**
Fair value change recognised in profit or loss	**6,028**	**(15,842)**
Exchange adjustments	**(576)**	**—**
At 31 December 2018	**45,761**	**10,095**

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.

41. 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	**2018** **HK$'000**	2017 HK$'000
Fellow subsidiaries	Rental income	**(6,889)**	(8,745)
	Rental expense and management fee expense	**—**	350
	Logistics service income	**(2,865)**	(4,909)
	Installation fee on computer software	**—**	265

The balances of amounts due from/to fellow subsidiaries/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.

42. 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 MOP60 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 2018 and 2017, the Group had no other significant obligation apart from the contribution as stated above.

43. 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, 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.

On 16 April 2018, the Company granted 34,986,000 share options, comprised approximately (i) 9,797,000 share options to the directors of the Company and (ii) 25,189,000 share options to certain eligible participants members of the senior management and employees of the Company to subscribe for shares in the Company at HK$2.13 per share.

43. SHARE-BASED PAYMENTS *(Continued)*

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

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 60,106,000 (2017: 26,370,000), representing approximately 17.2% (2017: 7.5%) of the shares of the Company in issue at that date.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange. 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 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.

Pursuant to the terms of the Scheme and in accordance with the relevant provisions of Chapter 17 of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time must not exceed 30% of the shares in issue from time to time.

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	Exercisable 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		
16 April 2018	3,498,600 (Note a)	16.4.2018 to 15.4.2022	HK$2.13 per share
	10,495,800 (Note b)	16.4.2019 to 15.4.2022	
	10,495,800 (Note b)	16.4.2020 to 15.4.2022	
	10,495,800 (Note b)	16.4.2021 to 15.4.2022	
	34,986,000		

43. SHARE-BASED PAYMENTS *(Continued)*

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.

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 2017	Granted during the year	Lapsed during the year	Outstanding at 31 December 2017 and 1 January 2018	Granted during the year	Lapsed during the year	Outstanding at 31 December 2018
31 August 2015	HK$3.38	5,000,000	—	(550,000)	4,450,000	—	(250,000)	4,200,000
26 January 2017	HK$1.84	—	23,420,000	(1,500,000)	21,920,000	—	(200,000)	21,720,000
16 April 2018	HK$2.13	—	—	—	—	34,986,000	(800,000)	34,186,000
		5,000,000	23,420,000	(2,050,000)	26,370,000	34,986,000	(1,250,000)	60,106,000
Exercisable at the end of the year		—	—	—	2,192,000	—	—	3,418,600
Weighted average exercise price		HK$3.38	HK$1.84	HK$2.25	HK$2.10	HK$2.13	HK$2.33	HK$2.11

The fair values of the share options of total HK$37,429,000 (2017: HK$23,935,000) granted during the year ended 31 December 2018 are calculated using the Binomial model. The inputs into the model were as follows:

	2018	2017
Share price on the date of grant	**HK$2.04**	HK$1.84
Exercise price	**HK$2.13**	HK$1.84
Expected volatility	**76.67%**	78.08%
Contractual life	**4 years**	4 years
Risk-free rate	**1.77%**	1.35%
Expected dividend yield	**0.69%**	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$2,081,000 in the staff costs for the year ended 31 December 2018 (2017: HK$5,399,000) in relation to share options granted by the Company.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Property, plant and equipment	**3,471**	—
Investments in subsidiaries	**414,746**	396,269
	418,217	396,269
Current assets		
Prepayments and other receivables	**9,361**	1,658
Amounts due from subsidiaries	**448,011**	381,764
Bank balances and cash	**2,660**	3,092
	460,032	386,514
Current liabilities		
Other payables and accrued expenses	**4,557**	7,419
Amounts due to subsidiaries	**69,148**	—
Bank borrowings	**121,020**	64,938
Convertible bonds	**192,228**	159,678
Senior note	**50,645**	100,451
	437,598	332,486
Net current assets	**22,434**	54,028
Total assets less current liabilities	**440,651**	450,297
Non-current liabilities		
Bank borrowings	**162,546**	75,139
Amount due to an intermediate holding company	**—**	15,332
	162,546	90,471
Net assets	**278,105**	359,826
Capital and reserves		
Share capital	**27,279**	27,279
Reserves	**250,826**	332,547
Total equity	**278,105**	359,826

44. 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 2017	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
Loss for the year	—	—	—	(75,755)	(75,755)
Transfer upon forfeiture of share options	—	—	(644)	644	—
Recognition of equity-settled share-based payments	—	—	2,081	—	2,081
Dividends paid	—	—	—	(8,047)	(8,047)
At 31 December 2018	**360,207**	**32**	**9,374**	**(118,787)**	**250,826**

45. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 and 2017 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		
			2018	2017	**2018**	2017	
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 2013	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%	**–**	–	Trading and distribution of consumer products
上海騰邦健康管理諮詢有限公司	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	Hong Kong 14 September 2016	HK$13,400	**–**	–	**51.5%**	51.5%	Investment holding

45. 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		
			2018	2017	**2018**	2017	
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%**	100%	Property investment
Tempus Star (HK) Investment Limited	Hong Kong 9 June 2017	HK$1	**—**	—	**100%**	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 USD17,500,000	**—**	—	**100%**	100%	Investment holding
SZ Tempus Value Chain	PRC (Note) 11 July 2005	Registered and paid-up capital RMB52,631,579	**78.75%**	61.75%	**—**	—	Trading and distribution of consumer products, supply chain services and investment holding
深圳前海騰邦價值鏈有限公司	PRC (Note) 13 October 2014	Registered and paid-up capital RMB50,000,000	**—**	—	**78.75%**	61.75%	Trading and distribution of consumer products and supply chain services

45. 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		
			2018	2017	**2018**	2017	
Shanghai Tengbang	PRC (Note) 3 December 2012	Registered and paid-up capital RMB10,000,000	**—**	—	**78.75%**	61.75%	Trading and distribution of consumer products and 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	**—**	—	**78.75%**	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	**—**	—	**78.75%**	61.75%	Inactive
天津騰邦易貿通外貿服務有限公司	PRC (Note) 13 March 2018	Registered capital and paid up RMB50,000,000	**—**	—	**80%**	—	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	
		2018	2017	**2018**	2017	**2018**	2017
SZ Tempus Value Chain	PRC	**21.25%**	38.25%	**3,608**	6,428	**24,100**	41,768

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.

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of a non-wholly owned subsidiary that has material non-controlling interest *(Continued)*

	2018 HK$'000	2017 HK$'000
Current assets	**148,097**	141,632
Non-current assets	**654**	1,086
Current liabilities	**(35,338)**	(33,521)
	113,413	109,197
Equity attributable to owners of the Company	**89,313**	67,429
Non-controlling interest	**24,100**	41,768
	113,413	109,197
Revenue	**279,886**	234,863
Expenses	**(268,964)**	(218,058)
Profit for the year	**10,922**	16,805
Profit attributable to owners of the Company	**7,314**	10,377
Profit attributable to non-controlling interest	**3,608**	6,428
Profit for the year	**10,922**	16,805
Other comprehensive (loss)/income attributable to owners of the Company	**(4,761)**	4,468
Other comprehensive (loss)/income attributable to non-controlling interests	**(1,946)**	2,767
Other comprehensive (loss)/income for the year	**(6,707)**	7,235

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of a non-wholly owned subsidiary that has material non-controlling interest *(Continued)*

	2018	2017
	HK$'000	HK$'000
Total comprehensive income attributable to owners of the Company	**2,553**	14,845
Total comprehensive income attributable to non-controlling interest	**1,662**	9,195
Total comprehensive income for the year	**4,215**	24,040
Net cash outflow from operating activities	**(759)**	(49,170)
Net cash (outflow)/inflow from investing activities	**(83)**	256
Net cash outflow from financing activities	**—**	(1,530)
Net cash outflow	**(842)**	(50,444)

46. 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 bonds HK$'000	Senior note HK$'000	Amount due to an intermediate holding company HK$'000	Dividend payable HK$'000	Non-controlling interest 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 bonds	—	—	(9,462)	—	—	—	—	(9,462)
Acquisition of entities under common control	—	—	—	—	56,618	—	—	56,618
At 31 December 2017 and 1 January 2018	**5,385**	**149,319**	**159,678**	**100,451**	**15,332**	**—**	**—**	**430,165**
Financing cash flows	**(3,635)**	**131,073**	**12,939**	**(59,000)**	**(13,977)**	**(8,047)**	**(17,000)**	**42,353**
Non-cash changes							**—**	
Finance cost recognised	**394**	**13,333**	**35,453**	**9,194**	**—**	**—**	**—**	**58,374**
Additions of property, plant and equipment	**2,975**	**—**	**—**	**—**	**—**	**—**	**—**	**2,975**
Dividends declared by the Company	**—**	**—**	**—**	**—**	**—**	**8,047**	**—**	**8,047**
Acquisition of additional interest in subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**17,000**	**17,000**
Gain on fair value change of derivatives embedded in convertible bonds	**—**	**—**	**(15,842)**	**—**	**—**	**—**	**—**	**(15,842)**
At 31 December 2018	**5,119**	**293,725**	**192,228**	**50,645**	**1,355**	**—**	**—**	**543,072**

47. 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.

48. EVENTS AFTER THE REPORTING PERIOD

On 27 March 2019, Mr. Wang Xiaowei (王嘯巍) ("Mr. Wang"), Mr. Peng Biao (彭彪) and Tianjin Yuncheng Corporate Management LLP* (天津市雲橙企業管理合夥企業(有限合夥)) ("Tianjin Yuncheng") (together the "Buyers"), the Group and Yundongli entered into a supplemental agreement to the repurchase agreement (the "Supplemental Agreement") to amend the original clauses in relation to the payment of the consideration under the repurchase agreement. As at 28 March 2019, the outstanding balance of the consideration amounting to RMB33,610,000 is agreed to be paid in the manner as set out in the announcements published by the Company dated 28 March 2019.

On the same date, the Company and Mr. Wang, also entered into an equity interest pledge agreement (the "Pledge Agreement") pursuant to which he agreed to pledge a total of 12% equity interest in Yundongli held by him in favour of the Company as security for the Buyers' fulfilment of their payment obligation under the Supplemental Agreement. All necessary registration and filing for the pledge shall be completed within fifteen calendar days from the date of signing of the Pledge Agreement. After the consideration is partly or fully settled, the Company shall proceed with all necessary registration and filing for the release of the pledged equity in proportion to the payment percentage. Details of the transaction are set out in the announcements published by the Company dated 28 March 2019.

49. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2017.

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December			Nine months ended 31 December	Year ended 31 March
	2018	2017	2016	2015	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**885,931**	834,288	659,549	335,388	389,692
Cost of sales	**(623,637)**	(541,438)	(376,007)	—	—
Gross profit	**262,294**	292,850	283,542	335,388	389,692
Other income	**23,057**	20,691	8,154	5,134	10,096
Other gains and losses	**57,778**	54,511	(676)	(5,918)	(771)
Impairment losses on financial assets	**(3,187)**	—	—	—	—
Changes in inventories of finished goods	**—**	—	—	12,925	1,201
Finished goods purchased	**—**	—	—	(124,218)	(134,632)
Share of results of joint ventures	**512**	(682)	—	—	—
Share of results of associates	**3,104**	(2)	—	—	—
Selling and distribution expenses	**(197,299)**	(218,970)	(205,014)	—	—
Administrative expenses	**(113,285)**	(88,495)	(79,281)	—	—
Staff costs	**—**	—	—	(70,030)	(79,823)
Depreciation expense	**—**	—	—	(6,325)	(7,826)
Finance costs	**(58,374)**	(18,581)	(582)	(260)	(412)
Other expenses	**—**	—	—	(130,321)	(161,526)
(Loss)/profit before tax	**(25,400)**	41,322	6,143	16,375	15,999
Income tax expense	**(5,494)**	(9,822)	(8,294)	(4,156)	(3,862)
(Loss)/profit for the year/period	**(30,894)**	31,500	(2,151)	12,219	12,137

ASSETS, LIABILITIES AND EQUITY

	At 31 December				At 31 March
	2018	2017	2016	2015	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,123,558**	1,048,855	728,444	499,543	346,315
TOTAL LIABILITIES	**673,296**	566,013	240,414	78,347	68,701
TOTAL EQUITY	**450,262**	482,842	488,030	421,196	277,614