騰邦控股有限公司
Tempus Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 06880

TEMPUS
騰邦控股

2019
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhong Yiming *(Chief Executive Officer)*
Mr. Yip Chee Lai, Charlie
Mr. Wang Xingyi
Mr. Sun Yifei

Non-executive Director

Mr. Zhong Baisheng *(Chairman)*

Independent non-executive Directors

Mr. Han Biao
Mr. Li Qi
Mr. Wong Kai Hing

COMPANY SECRETARY

Mr. Kam Chi Sing

EXECUTIVE COMMITTEE

Mr. Zhong Yiming *(Chairman)*
Mr. Yip Chee Lai, Charlie
Mr. Wang Xingyi
Mr. Sun Yifei

AUDIT COMMITTEE

Mr. Wong Kai Hing *(Chairman)*
Mr. Li Qi
Mr. Han Biao

REMUNERATION COMMITTEE

Mr. Han Biao *(Chairman)*
Mr. Li Qi
Mr. Wong Kai Hing
Mr. Zhong Yiming
Mr. Sun Yifei

NOMINATION COMMITTEE

Mr. Han Biao *(Chairman)*
Mr. Li Qi
Mr. Wong Kai Hing

AUTHORISED REPRESENTATIVES

Mr. Zhong Yiming
Mr. Sun Yifei

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
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F.
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AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
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Kowloon, Hong Kong

HONG KONG LEGAL ADVISER

Jia Yuan Law Office
17/F, No. 238 Des Voeux Road Central
Sheung Wan
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

Ms. Li Huifang

STOCK CODE

06880

BOARD LOT

2,000 shares

GROUP INTRODUCTION

Tempus Holdings Limited (06880.HK) (the "**Company**" or "**Tempus Holdings**"), a member of the Tempus Group, listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2011. Being 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 - sales of health and wellness products and trading business, 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 the PRC, Hong Kong, Macau, Singapore, Malaysia, etc. Along with sound international reputation, OTO products also reach the rest of the world through export.

Dear Shareholders,

In 2019, the growth of global economy has continued to slow down. Under the impact of the Sino-US trade war, regulation policy for resolving financial risks of the state, social unrest in Hong Kong and other factors, the Company faced unprecedented challenges as the investment environment and business sentiment in China remained sluggish. The increasingly tight capital supply had a negative impact on the industries the Company engaged in and the projects it invested in. The Company has encountered great difficulty in achieving profit. Investment revenue has fallen significantly, causing a higher loss recorded for the year by the Company.

During the reporting period, the Company has speeded up the recovery of invested projects and the carving out of loss-making business. Two commercial properties, of which one was owned by KK II (BVI) Limited and another located at Hong Kong Plaza, and a residential property in South Horizons were disposed of, while two loss-making businesses of Tempus Sky Enterprises Limited ("**Tempus Sky**") and Shenzhen Qianhai Tempus Value Chain Co., Ltd ("**Qianhai Value Chain**") were partially carved out, with the aim of rapidly retrieving funds, increasing the Company's operating capital and optimizing and enhancing main business to lower the overall operating risks. Meanwhile, given the lower availability of financing, the management of the Company is in active negotiation with financial institutions to seek possibility of partial renewal and refinancing of convertible bonds expired during the year.

With respect to the main business, in a diversified and complicated retail environment, OTO maintained its spirit of innovation and continuous improvement in its pursuit of breakthrough in products, marketing, channels and other aspects. During the reporting period, the upgraded EQ-10 small massage chair and the newly created UB-68 back massager became OTO's flagship products offline and online and has delivered promising results. OTO and Sanrio collaborated again in launching numerous new products, such as Hello Kitty, Little Twin Stars, Pompompurin and other cartoon series of massage products, at over 300 Mannings stores, which were very popular among customers. During this period, trading and logistics business, however, suffered more from economic recessions. A loss was recorded for the year due to a significant reduction in the volume of upstream and downstream business and cost reduction by suppliers. After the management's review of business development and market conditions, the business of Tempus Sky and Qianhai Value Chain was partially sold to reduce loss. However, the management of the Company will remain cautiously optimistic towards the prospect of trading and logistics business, and will continue to stay tuned to the market trends and explore new business opportunities.

In the second half of 2019, new members joined the management of the Company, who have brought new ideas and have motivated the management of the Company. Despite the challenges ahead, the management of the Company is ambitious in exploring new business opportunities along with a more efficient and comprehensive corporate governance structure. The management of the Company is confident to lead the Company to undergo this economic cold winter.

CHAIRMAN'S STATEMENT

In early 2020, the Novel Coronavirus COVID-19 has cast a shadow on China and global economy. Currently, the subsidence of pandemic and economic recovery is still highly uncertain. The management of the Company promptly adjusts its operation strategy. Internally, implementation of management measures such as cost reduction and optimized operation are deepened. Externally, we pursue a collaboration model that promotes cautious development and steady growth. These measures aim at restoring the vitality of the Company and bringing promising results.

New opportunities for development can be found in the time of crisis. I believe we will overcome difficulties with determination and unity in such challenging times. Winter will pass, and spring is sure to come.

I would like to express my gratitude to all shareholders, investors, customers and partners for their continuous support. The management of the Group and all our employees will continue to give our best effort and to strive for better performance to maximise shareholders' returns.

Zhong Baisheng
Chairman and Non-executive Director
Hong Kong, 22 June 2020

BUSINESS REVIEW

Upon completion of the disposal of Shenzhen Qianhai Tempus Value Chain Co. Ltd.* (深圳前海騰邦價值鏈有限公司) ("**Qianhai Value Chain**") and the partial disposal of shareholding in Tempus Sky Enterprises Limited ("**Tempus Sky**", together with Qianhai Value Chain, the "**Disposed OpCo**") during the year ended 31 December 2019, the Group ceased to carry out the original logistics business. Accordingly, the operations of the Disposed OpCo were classified as discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Without changing the Company's principal business and looking forward, the Company will remain cautiously optimistic towards the prospect of the logistics business and will continue to stay tuned to the market trends and explore new business opportunities.

In 2019, the Group's revenue generated from the continuing operations, i.e. the sale of health and wellness products business and trading business, was HK$450.8 million, decreased by 17.3% as compared with that of HK$545.0 million for the year ended 31 December 2018. The Group recorded a loss for the year from continuing operations of HK$228.1 million, as compared with that of HK$39.9 million in 2018. The decrease in revenue generated from the continuing operations was mainly due to the impacts of external macroeconomic environment including the slow down in global economy, the intensification in the Sino-US trade conflicts and the unstable situation in Hong Kong, which has led to the slow down in the business of the Group. The loss for the year from continuing operations was mainly attributable to the significant drop in other gains, which mainly due to the loss on fair value change of financial assets at fair value through profit or loss and the loss on disposal of a subsidiary, and the increase in impairment losses on financial assets for the year.

The Group's revenue generated from discontinued operations, i.e. the logistics business conducted through the Disposed OpCo, of HK$279.2 million in 2019, as compared with that of HK$340.9 million in 2018. The Group recorded a loss for the year from discontinued operations of HK$54.3 million, as compared with a profit of HK$9.0 million in 2018. The decrease in revenue from discontinued operations was mainly because Tempus Sky, which contributed its full-year revenue in 2018, was partially disposed by the Group on 6 August 2019, as such only seven-months' revenue was contributed in 2019. The decrease in gross profit, the increases in loss on disposal of subsidiaries and impairment losses on financial assets mainly led to the loss for the year from discontinued operations during the year.

SALES OF HEALTH AND WELLNESS PRODUCTS BUSINESS

For the year ended 31 December 2019, sales of massage chairs and other massage/fitness/diagnostics products were HK$404.5 million and HK$44.1 million, respectively, representing 90.2% and 9.8% of the Group's segment revenue from the sales of health and wellness products business, respectively. The Group launched a total of 34 new products, generating revenue of HK$65.2 million, representing 14.5% of the Group's segment revenue from the sales of health and wellness products business.

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.

	2019		2018		**Changes**	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	*HK$'000*	*%*
Retail outlets	**262,154**	**58.4**	259,604	64.1	2,550	1.0
Roadshow counters	**43,831**	**9.8**	38,451	9.5	5,380	14.0
Corporate sales	**105,906**	**23.6**	71,365	17.7	34,541	48.4
International sales	**9,646**	**2.2**	13,357	3.3	(3,711)	(27.8)
Internet sales	**27,090**	**6.0**	21,907	5.4	5,183	23.7
Total	**448,627**	**100.0**	404,684	100.0	43,943	10.9

(i) Traditional sales channels

The Group's revenue generated from traditional sales channels was HK$262.2 million in 2019, representing 58.4% of the Group's segment revenue from the sales of health and wellness products business, and a slight increase of 1.0% as compared to HK$259.6 million in 2018, which was stable and in line with the number of retail outlets. As at 31 December 2019, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at	
	31 December 2019	31 December 2018
Mainland China	**113**	112
Hong Kong and Macau	**24**	24
Singapore and Malaysia	**15**	16
Total	**152**	152

Retail business in the Mainland China

As at 31 December 2019, the Group operated 113 retail outlets (2018: 112) 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$111.3 million, representing a slight decrease of 2.4% as compared to HK$114.0 million in 2018. With the adjustment and optimisation of store distribution in the region during the year, the revenue contributed by the retail business in the region remained stable.

Retail business in Hong Kong and Macau

As at 31 December 2019, the Group maintained 24 retail outlets (2018: 24) in Hong Kong and Macau. During the year, the revenue contributed by the retail business in the region was HK$122.6 million, representing an increase of 7.9% as compared to HK$113.6 million in 2018. The increase in revenue was due to the launch of new products in late 2018 which greatly contributed to the revenue in the region in 2019.

Retail business in Singapore and Malaysia

As at 31 December 2019, the Group operated 15 retail outlets (2018: 16) in Singapore and Malaysia. During the year, the revenue contributed by retail business in the region was HK$28.2 million, representing a decrease of 11.9% as compared to HK$32.0 million in 2018. The decrease in revenue in the region was mainly due to the significant decline of retail business in Malaysia driven by the decline of economy in the region 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 revenue generated from roadshow counters remained stable during the year.

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 48.4% in revenue from corporate sales was mainly due to sizable corporate projects 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 decrease of 27.8% in revenue generated from international sales was due to the drop in demand of the market in Europe and the Middle East given the decline of the international economy 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 (天貓). The increase of 23.7% in revenue from internet sales was mainly attributable to the rapid development of general e-commerce environment in the Mainland China.

TRADING BUSINESS

The Group's trading business represents trading of goods such as personal consumables. During the year, the revenue generated from trading business was HK$2.2 million, representing 0.5% of the revenue generated from continuing operations of the Group. The significant decrease of 98.5% in revenue generated from trading was mainly due to the adverse effect faced by the general business environment across the Asia Pacific region, especially import and export trade, caused by the prolonged Sino-US trade war during the year and political upheaval in Hong Kong in the second half of year 2019.

RESULTS OF OPERATION

The Group's operating results from continuing operations in 2019 were primarily contributed by businesses engaging in the sales of health and wellness products as well as trading. In light of adopting HKFRS 5, the results of the logistics business in 2019 were included under the discontinued operations. The consolidated statement of comprehensive income for 2018 has also been restated for comparison purpose.

Revenue

Revenue from the continuing operations represents the income from sales of health and wellness products and trading of consumer products. In 2019, the Group's revenue from the continuing operations decreased by 17.3% to HK$450.8 million from HK$545.0 million in 2018. The decrease was mainly attributable to the decrease in revenue of 98.5% generated from trading business, which was slightly offset by the increase in revenue of 10.9% generated from sales of health and wellness products business.

	2019		2018		**Changes**	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	*HK$'000*	*%*
Sales of health and wellness products	**448,627**	**99.5**	404,684	74.2	43,943	10.9
Trading	**2,150**	**0.5**	140,348	25.8	(138,198)	(98.5)
Total	**450,777**	**100.0**	545,032	100.0	(94,255)	(17.3)

Cost of sales

Cost of sales for the continuing operations represents product cost and direct expenses in relation to purchases of products. The Group's cost of sales for the continuing operations for 2019 was HK$214.0 million, representing a decrease of 33.8% from HK$323.2 million for 2018. The decrease was mainly due to the decrease in cost of trading in line with the deterioration of the business of the same segment.

Gross profit

The gross profits for the continuing operations for 2019 and 2018 were HK$236.8 million and HK$221.9 million, respectively. The gross profit margins for 2019 and 2018 were 52.5% and 40.7%, respectively, representing an increase of 11.8 ppt. The gross profit margins remained stable during the year.

Other income

Other income for the continuing operations for 2019 was HK$10.5 million, mainly comprising rental income of HK$2.2 million, government grant of HK$1.8 million and sundry income of HK$2.4 million. Other income for the continuing operations for 2018 was HK$22.9 million, mainly comprising rental income of HK$11.0 million and interest income of HK$5.4 million.

Other gains and losses

The Group's continuing operations recorded other losses of HK$30.9 million for 2019, mainly comprising a loss on fair value change of financial assets at fair value through profit or loss of HK$23.0 million and a loss on disposal of a subsidiary of HK$14.5 million, which were partially offset by a gain on disposal of property, plant and equipment of HK$8.8 million. The Group's continuing operations recorded other gains of HK$56.9 million for 2018, mainly comprising a gain on fair value change of investment properties of HK$34.2 million and a gain on fair value change of derivatives embedded in convertible bonds of HK$15.8 million.

Impairment losses on financial assets

Impairment losses on financial assets for the continuing operations of HK$50.2 million for 2019 (2018: HK$3.2 million) mainly represented the impairment losses on loans receivable.

Pursuant to a loan agreement dated 29 June 2017 (the "**Loan Agreement**") entered into between the Company and an independent third party (the "**Borrower**"), the Company provided to the Borrower a revolving loan of HK$30,000,000, which carries interest at 10% per annum, and guaranteed by the Borrower's shareholder and a company incorporated in Hong Kong (the "**Guarantors**"), and with an original maturity of three months, which can be revolved at a maximum of three times with three months each upon maturity. All of the Borrower and the Guarantors primarily engage in tourism industry. On 19 June 2018, the parties entered into a supplemental loan agreement (together with the Loan Agreement, the "**Agreements**"), pursuant to which the Company extended the term under the Loan Agreement for one year, and the revolving loan would be matured on 18 June 2019, in consideration of adjusting the interest to 12% per annum.

As at 31 December 2018, the carrying amount of the loan receivable was HK$28,020,000 and the impairment allowance for the loan receivable amounted to HK$1,980,000 was provided based on the financial position of the Borrower and the Guarantors, and the general prospect of the tourism industry. In 2019, the Borrower repaid HK$900,000 of the principal. As at the date of this report, all of the Borrower and the Guarantors failed to repay the principal and all interest incurred in accordance with the Agreements of approximately HK$32,640,000.

Upon the Group's internal assessment on the credit risk on the Borrower and the Guarantors and in view of the Borrower and the Guarantors have repeatedly failed to comply with the repayment schedule, the possibility of repayment, the Borrower's and the Guarantors' financial position and the general prospect of the tourism industry, the management of the Group considers an impairment allowance for the loan receivable of HK$29,100,000, i.e. the full outstanding amount under the Agreements, is appropriate. As such, an additional impairment allowance amounting to HK$27,120,000 was recognised for the year ended 31 December 2019.

In light of the above, the Company has entered into negotiation with the Borrower and the Guarantors and has issued demand letter to demand for repayment for the outstanding amount under the Loan Agreement. The Group shall consider further necessary actions to recover the loan receivable including but not limited to taking legal proceedings against the Borrower and the Guarantors.

Share of results of a joint venture

Share of results of a joint venture for continuing operations for 2019 was nil (2018: a profit of HK$0.5 million), mainly representing the Group's share of results from TBRJ Asset Management Limited, a Cayman Islands exempted company, which the Group holds 45% of its equity interest. It is the general partner of TBRJ Fund I L.P., a Cayman Islands exempted limited partnership.

Share of results of associates

Share of results of associates for continuing operations for 2019 was a loss of HK$32.6 million (2018: a profit of HK$3.1 million), mainly representing the Group's share of loss from an associate, Yantai Leteng Equity Investment Management Centre (Limited Partnership)* (煙台樂騰股權投資管理中心(有限合夥)).

Selling and distribution expenses

Selling and distribution expenses for the continuing operations, mainly comprising advertising and marketing expenses as well as staff costs, increased from HK$174.9 million for 2018 to HK$209.2 million for 2019.

Administrative expenses

Administrative expenses for the continuing operations, mainly comprising staff costs and professional fees, decreased from HK$107.0 million for 2018 to HK$101.9 million for 2019.

Finance costs

Finance costs for the continuing operations decreased to HK$49.4 million for 2019 from HK$57.7 million for 2018. The drop was due to the decrease in bank and other borrowings.

Loss before tax

As a result of the factors described above, the Group's loss before tax for the continuing operations was HK$227.0 million for 2019, as compared to that of HK$37.6 million for 2018.

Income tax expense

Income tax expense for the continuing operations was HK$1.1 million for 2019 and HK$2.2 million for 2018. The decrease was mainly attributed to the drop in profit subject to income tax for the year.

Loss for the year

As a result of the factors described above, the Group's loss for the year for the continuing operations was HK$228.1 million for 2019, as compared to that of HK$39.9 million for 2018.

Discontinued Operations

Upon completion of the disposal of Qianhai Value Chain and the partial disposal of shareholding in Tempus Sky during the year ended 31 December 2019, the Group ceased to carry out the original logistics business. Accordingly, the operations of the Disposed OpCo were classified as discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Without changing its principal business and looking forward, the Company will remain cautiously optimistic towards the prospect of the logistics business and will continue to stay tuned to the market trends and explore new business opportunities.

Since Tempus Sky, which contributed the full-year revenue in 2018, was partially disposed by the Group in August 2019, and it contributed only seven months' revenue in 2019. The revenue generated from the discontinued operations decreased by 18.1% to HK$279.2 million in 2019 (2018: HK$340.9 million) and the gross loss for the discontinued operations was HK$3.1 million (2018: gross profit of HK$40.4 million). The loss for the year from discontinued operations of HK$54.3 million (2018: a profit: HK$9.0 million) was attributed from decrease in gross profit of HK$43.5 million, loss on disposal of subsidiaries of HK$16.0 million (2018: nil) and impairment losses on financial assets of HK$12.3 million (2018: nil) for the discontinued operations.

FINANCIAL POSITION

As at 31 December 2019, total equity of the Group was HK$160.4 million (as at 31 December 2018: HK$450.3 million). The decrease was mainly due to the loss for the year.

As at 31 December 2019, the Group's net current liabilities was HK$247.5 million (as at 31 December 2018: net current assets of HK$9.2 million). The current ratio was 0.5 time as at 31 December 2019 (as at 31 December 2018: 1.0 time).

As at 31 December 2019, total non-current assets of the Group was HK$435.4 million (as at 31 December 2018: HK$606.8 million), while total current assets of the Group was HK$268.8 million (as at 31 December 2018: HK$516.8 million). The decreases in non-current assets and current assets were mainly due to an investment property of the Group being disposed during the year and the decrease in trade, bills and other receivables, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had bank balances and cash of HK$73.3 million (as at 31 December 2018: HK$134.5 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 Mainland China. 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 generated from operating activities was HK$26.3 million for 2019 (2018: net cash used in operating activities of HK$42.6 million), primarily reflecting the operating cash outflows before movements in working capital of HK$13.8 million, as adjusted by a decrease of HK$0.9 million in inventories, a decrease of HK$7.3 million in trade, bills and other receivables and an increase of HK$39.7 million in trade and other payables.

Investing activities

Net cash generated from investing activities was HK$70.2 million for 2019 (2018: HK$11.6 million), primarily consisted of net cash inflow from disposal of subsidiaries of HK$30.7 million and proceeds from disposal of an associate of HK$21.3 million.

Financing activities

Net cash used in financing activities was HK$150.7 million for 2019 (2018: net cash generated from financing activities of HK$42.4 million), which was primarily due to repayments of lease liabilities of HK$58.0 million and senior note of HK$50.0 million and redemption of convertible bonds of HK$38.0 million, offsetting by bank and other borrowings additionally raised of HK$49.1 million during the year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 December 2019 was HK$375.9 million with effective interest rates ranging from 3.28% to 22.05% per annum. The Group's gearing ratio increased by 5.2 ppt from 48.2% as at 31 December 2018 to 53.4% as at 31 December 2019, which was primarily due to decreases in investment properties of HK$152.7 million and trade, bills and other receivables of HK$140.5 million at the year end.

WORKING CAPITAL

As at 31 December 2019, the net negative working capital of the Group was HK$247.5 million, which represented a decrease of HK$256.7 million or 2,790.2% as compared to the net positive working capital HK$9.2 million as at 31 December 2018. The reclassification of bank and other borrowings from non-current liabilities to current liabilities has led to the decrease in net working capital at the year end.

As at 31 December 2019, the Group's inventories decreased by HK$4.6 million to HK$33.4 million from HK$38.0 million as at 31 December 2018. The inventories turnover days was 26.3 days as at 31 December 2019 as compared with 21.4 days as at 31 December 2018. The increase was primarily due to the decrease in costs as a result of the decline in trading business.

As at 31 December 2019, the Group's trade receivables decreased by HK$70.6 million, to HK$87.6 million from HK$158.2 million as at 31 December 2018. The trade receivables turnover days decreased to 61.4 days from 69.2 days as at 31 December 2018. The decreases were due to better control of collection of trade receivables during the year.

As at 31 December 2019, the Group's trade payables decreased by HK$8.5 million to HK$51.4 million from HK$59.9 million as at 31 December 2018. The trade payables turnover days increased by 5.3 days to 40.9 days from 35.6 days as at 31 December 2018. The increase was mainly due to longer settlement period to the suppliers during the year.

CAPITAL EXPENDITURE

During the year ended 31 December 2019, the Group's total capital expenditure amounted to HK$12.1 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 December 2019, the Group had pledged certain assets, including leasehold land and buildings, under property, plant and equipment with a total carrying value of HK$295.0 million for the purpose of securing certain banking and other facilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Disposal of Investment in Yundongli

On 29 December 2018, Zhuhai Tempus Jinyue Investment Limited* (珠海騰邦金躍投資有限公司) ("**Vendor A**"), a wholly owned subsidiary of the Company, entered into a repurchase agreement ("**Repurchase Agreement**") with Mr. Wang Xiaowei (王嘯巍), 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)) (collectively, the "**Purchasers A**"), pursuant to which the Vendor A agreed to sell and the Purchasers A agreed to repurchase the 12% equity interest of Yundongli (Tianjin) Electronic Commerce Company Limited* (雲動力(天津)電子商務有限公司) ("**Yundongli**"), for a consideration of RMB67,220,000. The Company has been actively following up on the payment of the consideration for the disposal since the completion of the disposal on 29 December 2018. Upon the expiry of the time extension of the settlement of the last instalment of the consideration, on 27 March 2019, the Vendor A, the Purchasers A and Yundongli entered into a supplemental agreement to the Repurchase Agreement (the "**Supplemental Agreement**") to extend the payment deadline of the outstanding consideration. On 27 March 2019, the Company and Mr. Wang Xiaowei (王嘯巍) entered into an equity interest pledge agreement pursuant to which Mr. Wang Xiaowei (王嘯巍) agreed to pledge a total of 12% equity interest in Yundongli held by him in favour of the Vendor A as security for the Purchaser A's fulfilment of their payment obligation under the Supplemental Agreement. As of 22 November 2019, i.e. the deadline of full payment as stipulated in the Supplemental Agreement, the outstanding consideration which had to be settled was amounted to RMB19,810,000 (the "**Receivables**"). On 22 January 2020, the Vendor A, the Purchasers A and Ms. Zheng Meiling (鄭美玲) (the "**Transferee**") entered into an agreement (the "**Receivables Transfer Agreement**") in respect of the assignment of the Receivables from Vendor A to the Transferee for a total consideration of RMB15,850,000 (the "**Receivables Consideration**"). Up to the date of this report, the Group has received RMB13,565,000 (equivalent to HK$15,119,000).

For details, please refer to the Company's announcements dated 28 December 2018, 2 January 2019, 28 March 2019, 22 January 2020 and 30 January 2020.

Disposal of entire equity interests in KK II (BVI) Limited

On 29 May 2019, Tempus (BVI) Properties Investment Limited (the "**Vendor B**"), a wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Talent Realty Limited, an independent third party (the "**Purchaser B**") and the Company (as guarantor for the performance of the obligations of the Vendor B under the provisional sale and purchase agreement), pursuant to which the Vendor B conditionally agreed to sell and the Purchaser B conditionally agreed to purchase the entire issued share capital of KK II (BVI) Limited (the "**Target Company**"), and all such sum of money due and owing by the Target Company to the Vendor B as at completion of the transaction, for an initial consideration of HK$122,268,000 to be adjusted with reference to the net tangible asset value of the Target Company as at the completion date. The deposit of HK$20,000,000 has been paid by the Purchaser B upon the signing of the provisional sale and purchase agreement; and the balance of the consideration, being HK$102,268,000, as adjusted with reference to the net tangible asset value of the Target Company as at completion date, was paid by the Purchaser B on completion. Upon completion, the Target Company ceased to be a subsidiary Company.

For details, please refer to the Company's announcements dated 29 May 2019 and 23 July 2019, and the circular dated 19 July 2019.

Disposal of a commercial property and a residential property in Hong Kong

On 5 July 2019, OTO Bodycare (H.K.) Limited, a wholly owned subsidiary of the Company, entered into provisional agreements with two independent third parties, in relation to the sale and purchase of a commercial property and a residential property in Hong Kong for considerations of HK$10,620,000 and HK$10,800,000, respectively. Each purchaser to the provisional agreements has paid the deposit of HK$5,000,000 upon the signing of the provisional agreements, and the balances of the considerations, being HK$5,620,000 and HK$5,800,000 for the commercial property and the residential property, respectively, were paid on completion. The transactions have been completed on 7 August 2019.

For details, please refer to the Company's announcement dated 5 July 2019.

Partial disposal of shareholding in Tempus Sky

On 6 August 2019, OTO (BVI) Investment Limited (the "**Vendor C**"), the Company's direct wholly owned subsidiary and an independent third party (the "**Purchaser C**") entered into a sale and purchase agreement, pursuant to which the Vendor C has conditionally agreed to sell and the Purchaser C has conditionally agreed to acquire 2,000 ordinary shares of HK$1 each in Tempus Sky, representing approximately 14.93% of the entire issued share capital of Tempus Sky, the Company's indirect non-wholly owned subsidiary, for a consideration of HK$3,000,000. HK$1,500,000 has been paid to the Vendor C as earnest money and such amount has been converted into deposit upon signing of the sale and purchase agreement, and the balance of the consideration has been received before the completion date. Upon completion, Vendor C will continue to hold approximately 36.56% of the entire issued share capital of Tempus Sky. Tempus Sky will cease to be a subsidiary of the Company and will be accounted for as an associate of the Company using equity method. The financial results of Tempus Sky and its subsidiaries will no longer be consolidated into the financial statements of the Group. The transaction has been completed on 19 August 2019.

For details, please refer to the Company's announcement dated 6 August 2019.

Disposal of Shenzhen Qianhai Tempus Value Chain Limited * (深圳前海騰邦價值鏈有限公司)

On 30 December 2019, Shenzhen Tempus Value Chain Co., Ltd.* (深圳市騰邦價值鏈股份有限公司) (the "**Vendor D**"), the Company's direct non-wholly owned subsidiary and Shenzhen Youxingxin Logistics Co., Ltd. * (深圳市友興昕物流有限公司), an independent third party (the "**Purchaser D**"), entered into a sale and purchase agreement, pursuant to which the Vendor D has agreed to sell and the Purchaser D has agreed to acquire the equity interest, representing the entire equity interest held by the Vendor D in Shenzhen Qianhai Tempus Value Chain Limited* (深圳前海騰邦價值鏈有限公司), for a consideration of approximately RMB47,700,000 (equivalent to approximately HK$53,100,000) (the "**Consideration**"), where RMB22,000,000 (equivalent to approximately HK$24,500,000) shall be settled by way of cash payment to the Vendor D, and RMB25,700,000 (equivalent to approximately HK$28,600,000) shall be settled by the Purchaser D taking up debts of the Vendor D of RMB25,700,000 (equivalent to approximately HK$28,600,000). According to the sale and purchase agreement, the Purchaser D agreed to settle RMB4,000,000 (equivalent to approximately HK$4,453,000) on 31 December 2019. The remaining of the consideration amounting to RMB12,000,000 (equivalent to approximately HK$13,358,000) will be satisfied by cash payment by three instalments, RMB2,000,000 (equivalent to approximately HK$2,226,000) shall be paid on the day after the registration at the Administrative for Industry and Commerce in the PRC in respect of the transfer of entire equity interest of the Qianhai Value Chain, RMB5,000,000 (equivalent to approximately HK$5,566,000) shall be settled on or before 29 February 2020 and RMB5,000,000 (equivalent to approximately HK$5,566,000) shall be settled on or before 31 May 2020. As at the date of this report, RMB11,000,000 (equivalent to approximately HK$12,245,000) of the cash consideration was received by the Group.

For details, please refer to the Company's announcements dated 30 December 2019 and 3 January 2020.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Saved as disclosed in note 49 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

Saved as disclosed in this report, the Group did not have any material contingent liabilities as at 31 December 2019 and 31 December 2018.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 December 2019, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB32,997,000 (equivalent to approximately HK$36,773,000), and in United States dollar of approximately US$116,000 (equivalent to approximately HK$902,000). 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 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 2019, the Group had a total number of 780 (2018: 765) 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 (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 Mainland China are members of the state-managed retirement benefit scheme operated by Mainland China government. The subsidiaries established in Mainland China 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 political upheaval and social unrest in Hong Kong in the second half of year 2019 have undermined the overall business environment, especially the retail sector, in the city. The prolonged Sino-US trade war and the slowing down of economy in Mainland China have also brought negative impact on domestic demands in Mainland China. Looking ahead, the COVID-19 outbreak has further weaken the global economy, the Company envisages a greater challenge in the first half of year 2020. Moreover, as disclosed in the Company's announcements in respect of consolidated annual results for the year ended 31 December 2018 on 29 March 2019, the Company has been striving to resolve its liquidity issue arising from the redemption of certain convertible bonds by timely adopting a series of measures to tide over these difficulties, including (i) disposing of non-core assets such as properties and equity investments, and strip loss-making business; (ii) studying the possibility of strengthening fundraising activities; (iii) expediting the collection of receivables; and (iv) optimising the operation efficiency. For further details, please refer to "Significant investment, material acquisitions and disposals of assets" on page 16 of this report.

Maintaining its focus on the major business segments, the Group continues to devote itself to explore new business in the segment of logistics in the future.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of the Company and its subsidiaries (collectively, the "**Group**") presents the annual report with the audited consolidated financial statements for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in sales of health and wellness products and trading business. The principal activities of its subsidiaries are set out in note 47 to the consolidated 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" on page 5 of this annual report and "Management Discussion and Analysis" on page 7 of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 81 to 90 of this annual report.

The Board has resolved not to declare a final dividend for the year ended 31 December 2019 (2018: nil). No interim dividend was paid by the Company for the six months ended 30 June 2019 (2018: nil).

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, 28 July 2020 to Friday, 31 July 2020 (both dates inclusive), during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting ("**AGM**") of the Company to be held on Friday, 31 July 2020 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, 27 July 2020.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 37 to the consolidated financial statements of this annual report.

During the year ended 31 December 2019, the Company repurchased a total of 616,000 ordinary shares (the "**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:

(1) Convertible Bonds issued in 2018 with Maturity Date 30 May 2019 ("2018CB1")

The Company issued 2018CB1 on 1 June 2018 with the aggregate principal amount of HK$160,000,000 to Wan Tai Investments Limited which has the right to convert it into 67,510,549 new Shares at the conversion price of HK$2.37 per Share. The purpose of the issue of the 2018CB1 is to satisfy the needs of the Group's continual business development. The net proceeds were approximately HK$157,700,000 and was fully utilised for working capital, refinancing and general corporate purposes. The maturity date of the 2018CB1 was 30 May 2019.

As at the date of this annual report, the conversion option has lapsed and the Company has not redeemed 2018CB1 but is in the process of negotiating with Wan Tai Investments Limited to renew the terms of the 2018CB1, including but without limitation to the extension of the maturity date.

(2) Convertible Bonds issued in 2018 with Maturity Date 14 October 2019 ("2018CB2")

The Company issued 2018CB2 on 16 October 2018 with the aggregate principal amount of HK$30,000,000 to Wan Tai Investments Limited which has the right to convert it into 23,510,971 new Shares at the conversion price of HK$1.276 per Share. The purpose of the issue of the 2018CB2 is to satisfy the needs of the Group's continual business development. The net proceeds were approximately HK$29,500,000 and was fully utilised for investment, working capital, refinancing and general corporate purposes. The maturity date of the 2018CB2 was 14 October 2019.

As at the date of this annual report, the conversion option has lapsed and the Company has not redeemed 2018CB2 but is in the process of negotiating with Wan Tai Investments Limited to renew the terms of the 2018CB2, including but without limitation to the extension of the maturity date.

The Company will make further announcement(s) in relation to the above matters as and when appropriate in accordance with the Listing Rules.

Below is an analysis of the shareholding structure of the Company as at 31 December 2019.

Shareholders

	As at 31 December 2019	
	No. of Shares	Approximate %
Tempus Holdings (Hong Kong) Limited	218,347,092	62.52
The bondholder	—	—
Others	130,913,708	37.48
Total	349,260,800	100.00

During the year ended 31 December 2018 and 31 December 2019, 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 are set out in "Share Options" section contained in this report. No share options were granted during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

The Company repurchased a total of ordinary 616,000 Shares of the Company at an aggregate purchase price of approximately HK$680,000 on the Stock Exchange during the year ended 31 December 2019 preceding to the date of this report, details of which are as follows:

Date of repurchase	No. of Shares repurchased	Price paid per Share	
		Highest	Lowest
		HK$	*HK$*
15 January 2019	310,000	1.09	0.97
16 January 2019	298,000	1.25	1.10
23 January 2019	8,000	1.03	1.03
Total	616,000		

Such repurchased shares were cancelled on 31 January 2019. Save as disclosed above, 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 2019.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Group's aggregate amounts of reserves available for distribution were approximately HK$108,530,000.

DONATIONS

During the year ended 31 December 2019, the Company and its subsidiaries have not made any charitable donations.

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 of the Company 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 consolidated financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 34 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 2019, the Group's sales to its five largest customers accounted for approximately 24.6% of the Group's total sales and the Group's sales to its largest customer accounted for approximately 7.3% of the Group's total sales. The Group's five largest suppliers accounted for approximately 28.6% of the Group's total purchases, while the largest supplier for the year accounted for approximately 7.0% 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 two expired convertible bonds with an aggregate principal amount 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 the issuance of new bonds or Shares and the 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 the risks of 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 2019, 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 Yiming *(Chief Executive Officer) (appointed on 15 August 2019)*
Mr. Yip Chee Lai, Charlie
Mr. Wang Xingyi *(appointed on 27 November 2019)*
Mr. Sun Yifei *(appointed on 6 December 2019)*
Mr. Li Dongming *(Vice-chairman) (resigned on 17 October 2019)*
Mr. Huang Jingkai *(Vice-chairman) (resigned on 6 December 2019)*

Non-executive Director

Mr. Zhong Baisheng *(Chairman) (re-designated on 15 August 2019)*

Independent non-executive Directors

Mr. Han Biao
Mr. Li Qi
Mr. Wong Kai Hing *(appointed on 27 November 2019)*
Mr. Choi Tan Yee *(appointed on 24 May 2019 and resigned on 28 August 2019)*
Mr. Wong Lit Chor, Alexis *(retired on 24 May 2019)*

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 by rotation 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. Han Biao and Mr. Li Qi will retire from office by rotation and be eligible to offer themselves for re-election at the AGM.

In accordance with Article 109 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Zhong Yiming, Mr. Wang Xingyi, Mr. Sun Yifei and Mr. Wong Kai Hing will retire at the AGM pursuant to Article 109 of the Articles of Association and, being eligible, offer themselves for re-election at the AGM.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and members of the senior management are set out on pages 56 to 58 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 (the "**Remuneration Committee**") 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 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	Date of Change	Details of Changes
Mr. Zhong Baisheng	1 March 2019	re-designated as an executive Director of the Company with adjusted director's fee of HK$3,000,000, and re-designated as the chairman of the executive committee of the Company (the "**Executive Committee**")
	15 August 2019	re-designated as a non-executive Director of the Company with adjusted director's fee of HK$1 per annum
Mr. Choi Tan Yee	24 May 2019	appointed as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**"), a member of the nomination committee of the Company (the "**Nomination Committee**") and the Remuneration Committee
	28 August 2019	resigned from all positions of the Company
Mr. Wong Lit Choi, Alexis	24 May 2019	retired from all positions of the Company
Mr. Zhong Yiming	15 August 2019	appointed as an executive Director, the chairman of Executive Committee and the chief executive officer of the Company
	17 October 2019	appointed as the authorised representative
	6 December 2019	appointed as a member of the Remuneration Committee
Mr. Li Dongming	15 August 2019	ceased to be the chief executive officer of the Company and re-designated as the vice-chairman of the Company
	17 October 2019	resigned from all positions of the Company
Mr. Li Qi	28 August 2019	appointed as a chairman of the Audit Committee
	27 March 2020	re-designated as a member of the Audit Committee
Mr. Wong Kai Hing	27 November 2019	appointed as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee
	27 March 2020	re-designated as the chairman of the Audit Committee
Mr. Wang Xingyi	27 November 2019	appointed as an executive Director and a member of the Executive Committee
Mr. Sun Yifei	6 December 2019	appointed as an executive Director, the authorised representative, a member of the Executive Committee and the Remuneration Committee
Mr. Huang Jingkai	6 December 2019	resigned from all positions of the Company

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 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares or underlying Shares or debentures 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 7)*
Mr. Zhong Baisheng *(Note 2)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
Mr. Yip Chee Lai, Charlie *(Note 3)*	Beneficial owner	6,046,000 (L)	4,000,000 (L)	10,046,000 (L)	2.88%
	Interests of parties to an agreement to acquire interest of the Company	17,984,000 (L)	—	17,984,000 (L)	5.15%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%
Mr. Sun Yifei *(Note 4)*	Beneficial owner	—	4,000,000 (L)	4,000,000 (L)	1.15%
Mr. Han Biao *(Note 5)*	Beneficial owner	—	400,000 (L)	400,000 (L)	0.11%
Mr. Li Qi *(Note 6)*	Beneficial owner	—	400,000 (L)	400,000 (L)	0.11%

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 2019, Tempus Hong Kong held 218,347,092 Shares, representing approximately 62.52% 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 4,000,000 options granted to him by the Company on 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, 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. Sun Yifei's long position in the underlying Shares comprises an aggregate of 4,000,000 options granted to him by the Company on 26 January 2017 and 16 April 2018 under the Share Option Scheme. Out of these options, 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.

(5) Mr. Han Biao'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.

(6) Mr. Li Qi'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.

(7) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued Shares of the Company as at 31 December 2019.

* *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 2019, 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 or debentures 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 43 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 or contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries 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 43 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 2019, 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 2019, 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, 5)*	Beneficial owner	218,347,092 (L)	—	218,347,092 (L)	62.52%
Tempus Value Chain *(Note 2, 5)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
Tempus Logistics *(Note 2, 5)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
Tempus Group *(Note 2, 5)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
Pingfeng Jewellery *(Note 2)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
Ms. Duan Naiqi *(Note 2)*	Interest in a controlled corporation	218,347,092 (L)	—	218,347,092 (L)	62.52%
SCGC Capital Holding Company Limited *(Note 3)*	Beneficial owner	20,300,000 (L)	—	20,300,000 (L)	5.81%
Shenzhen Capital (Hong Kong) Company Limited *(Note 3)*	Interest in a controlled corporation	20,300,000 (L)	—	20,300,000 (L)	5.81%
Shenzhen Capital Group Co., Ltd. *(Note 3)*	Interest in a controlled corporation	20,300,000 (L)	—	20,300,000 (L)	5.81%
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)	4,000,000 (L)	22,256,000 (L)	6.37%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.02%

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)	4,000,000 (L)	21,916,000 (L)	6.27%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.02%
Mr. Yip Chee Way, David *(Note 4)*	Beneficial owner	6,096,000 (L)	—	6,096,000 (L)	1.75%
	Interests of parties to an agreement to acquire interests of the Company	17,934,000 (L)	4,000,000 (L)	21,934,000 (L)	6.28%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%
Mr. Tan Beng Gim *(Note 4)*	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%
Ms. Chua Siew Hun *(Note 4)*	Beneficial owner	—	—	—	—
	Interests of parties to an agreement to acquire interests of the Company	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%
	Total	24,030,000 (L)	4,000,000 (L)	28,030,000 (L)	8.03%

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 2019, Tempus Hong Kong held 218,347,092 Shares, representing approximately 62.52% 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) On 12 September 2019, Tempus Hong Kong, Tempus Value Chain, Tempus Logistics, Tempus Group and Mr. Zhong Baisheng (collectively, the "**Controlling Shareholder Group**") entered into the voting rights entrustment agreement (the "**Voting Rights Entrustment Agreement**") with Zhongke Jianye High New Technology Co., Ltd* (中科建業高新技術有限公司) ("**Zhongke Jianye**"). Pursuant to which, Tempus Hong Kong entrusted Zhongke Jianye to exercise the voting rights of 69,502,899 ordinary shares it directly held (the "**Entrusted Voting Rights**"), representing 19.9% of the total issued Shares. On 13 May 2020, the Controlling Shareholder Group entered into a termination agreement to the Voting Rights Entrustment Agreement with Zhongke Jianye to terminate the Entrusted Voting Rights. For more details, please refer to the Company's announcements dated 12 September 2019, 11 May 2020 and 13 May 2020.

(6) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued Shares of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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 eligible employee of the Company (the "**Eligible Employee**") (whether full-time or part-time including any executive Director but excluding any non-executive Director);

(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 24 May 2019 (the "**2019 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 2019 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 34,926,080 Shares. For details, please refer to the Company's circular dated 24 April 2019 and the Company's announcement dated 24 May 2019.

As at the date of this report, the total number of Shares available for issue and the maximum number of options available to be granted under the Share Option Scheme were 29,398,600 and 34,927,760, respectively, which represented approximately 8.42% and 10.00%, respectively, of the issued share capital of the Company on that date.

SHARE OPTIONS

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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Number of Share Options					
					Outstanding as at 1 January 2019	Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Lapsed during the year ended 31 December 2019	Cancelled during the year ended 31 December 2019	Outstanding as at 31 December 2019
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				6,498,600	–	–	(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				6,948,600	–	–	(6,948,600)	–	–
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				4,450,000	–	–	(450,000)	–	4,000,000

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Outstanding as at 1 January 2019	Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Lapsed during the year ended 31 December 2019	Cancelled during the year ended 31 December 2019	Outstanding as at 31 December 2019
					Number of Share Options					
Mr. Sun Yifei	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				4,000,000	–	–	–	–	4,000,000
Mr. Han Biao	31.8.2015	31.8.2015 – 30.8.2016	31.8.2016 – 30.8.2019	3.38	30,000	–	–	(30,000)	–	–
		31.8.2015 – 30.8.2017	31.8.2017 – 30.8.2019	3.38	45,000	–	–	(45,000)	–	–
		31.8.2015 – 30.8.2018	31.8.2018 – 30.8.2019	3.38	75,000	–	–	(75,000)	–	–
	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	20,000	–	–	–	–	20,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	60,000	–	–	–	–	60,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	60,000	–	–	–	–	60,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	60,000	–	–	–	–	60,000
	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				550,000	–	–	(150,000)	–	400,000
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				400,000	–	–	(400,000)	–	–

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	Outstanding as at 1 January 2019	Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Lapsed during the year ended 31 December 2019	Cancelled during the year ended 31 December 2019	Outstanding as at 31 December 2019
					Number of Share Options					
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				550,000	–	–	(150,000)	–	400,000
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	1,112,000	–	–	(312,000)	–	800,000
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	3,336,000	–	–	(936,000)	–	2,400,000
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	3,336,000	–	–	(936,000)	–	2,400,000
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	3,336,000	–	–	(936,000)	–	2,400,000
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	2,258,880	–	–	(999,020)	–	1,259,860
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	6,776,640	–	–	(2,997,060)	–	3,779,580
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	6,776,640	–	–	(2,997,060)	–	3,779,580
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	6,776,640	–	–	(2,997,060)	–	3,779,580
	Sub-total				36,708,800	–	–	(16,110,200)	–	20,598,600
	Total				**60,106,000**	–	–	**(30,707,400)**	–	**29,398,600**

Note:

Further details of the Share Options Scheme are set out in note 45 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 43 to the consolidated financial statements. Those transactions comprise no continuing connected transactions nor connected transactions which required disclosure 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 (ERP) System to optimise 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 the Environmental, Social and Governance Report on pages 59 to 73 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 34 to 38 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 71 to 72 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 good and stable. For further details, please refer to pages 71 to 72 of this report.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 8 January 2020, Ms. Lok Man Tsit ("**Ms. Lok**") has tendered her resignation as the company secretary of the Company. Ms. Lok has confirmed that she has no disagreement with the Board and there are no circumstances relating to her resignation which need to be brought to the attention of the Stock Exchange and the shareholders of the Company. On the same day, Mr. Kam Chi Sing was appointed as the company secretary of the Company. For further details, please refer to the Company's announcement dated 8 January 2020.

On 22 January 2020, Zhuhai Tempus Jinyue Investment Limited* (珠海騰邦金躍投資有限公司) ("**Vendor A**"), a wholly owned subsidiary of the Company, Mr. Wang Xiaowei (王嘯巍), 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)) (the "**Purchasers A**") and Ms. Zheng Meiling (鄭美玲) (the "**Transferee**") entered into Receivables Transfer Agreement in respect of the assignment of the outstanding consideration amounted to RMB19,810,000 from Vendor A to the Transferee for a total consideration of RMB15,850,000. For further details, please refer to note 49 to the consolidated financial statements in this report.

Since the COVID-19 outbreak (the "**COVID-19 outbreak**") in early 2020, the Board has been closely monitoring the Group's exposure to risks and uncertainties in connection with the COVID-19 outbreak. The business markets of the Group primarily focuses in the Mainland China, Hong Kong and Macau, Singapore and Malaysia (the "**Relevant Regions**"). Due to the COVID-19 outbreak, various governmental control measures have been implemented in the Relevant Regions in combating the COVID-19 outbreak, such as the retail stores have been temporarily closed. The number of customers visiting the shopping malls has been significantly reduced, which may lead to a decrease in the sales and the revenue of the Group to some extent. Given the dynamic nature of these circumstances, the degree of impact of the COVID-19 outbreak on the Group's business and financial performance cannot be determined now. The Group will continue to monitor the situation closely and will keep shareholders and potential investors of the Company informed of the material developments as and when they arise.

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 as set out in Appendix 14 to the Listing Rules throughout the year except code provision E.1.2. The Corporate Governance Report is set out on pages 42 to 55 of this annual report.

AUDIT COMMITTEE

The Audit Committee 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. Save as disclosed above, there was no change in the auditor of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2019 have been audited by Moore Stephens who 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 forthcoming AGM.

By Order of the Board

Zhong Baisheng
Chairman and Non-executive Director

Hong Kong, 22 June 2020

* *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 and believes 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 Corporate Governance Code (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 2019 except that Mr. Zhong Baisheng, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 24 May 2019 since he had other business engagements, which deviated from code provision E.1.2 of the CG Code. However, the then Chief Executive Officer and the executive Director, Mr. Li Dongming who was present at the annual general meeting, took the chair of that meeting in accordance with the Articles of Association.

Mr. Choi Tan Yee resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee with effect from 28 August 2019. Since then, the Company no longer complied with Rules 3.10, 3.10A and 3.21 of the Listing Rules and the requirements of composition under the terms of reference of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. On 27 November 2019, Mr. Wong Kai Hing ("**Mr. Wong**"), who possesses the professional qualifications as required under Rules 3.10(2) of the Listing Rules, has been appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wong has been redesignated as the chairman of the Audit Committee on 27 March 2020. Following Mr. Wong's appointment, the number of independent non-executive Directors has satisfied the minimum number as stipulated under Rules 3.10(1) of the Listing Rules. Mr. Wong possesses the professional qualifications as required under Rules 3.10(2) of the Listing Rules and as such, the Company has also complied with the said rules as well as Rule 3.21 of the Listing Rules and the requirements on composition of the Nomination Committee, the Remuneration Committee and the Audit Committee. On 27 March 2020, Mr. Wong was re-designated as the chairman of the Audit Committee and Mr. Li Qi was re-designated as the member of the Audit Committee.

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 Remuneration Committee, the Nomination Committee and 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 Yiming, Mr. Yip Chee Lai, Charlie, Mr. Wang Xingyi and Mr. Sun Yifei; one non-executive Director namely, Mr. Zhong Baisheng (Chairman); and three independent non-executive Directors namely, Mr. Han Biao, Mr. Li Qi and Mr. Wong Kai Hing. 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.

A non-executive Director and the chairman of the Board, Mr. Zhong Baisheng is the father of Mr. Zhong Yiming, an executive Director and the chief executive officer, and the father-in-law of Mr. Wang Xingyi, an executive Director. Save as disclosed therein, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board.

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. Zhong Yiming, 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. Mr. Zhong Yiming, the Chief Executive Officer, is the son of Mr. Zhong Baisheng, the Chairman of the Board. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

DIRECTORS' ATTENDANCE RECORDS

Fifteen 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 Yiming *(appointed on 15 August 2019)*	3/4	–	N/A	–
Mr. Yip Chee Lai, Charlie	15/15	–	–	–
Mr. Wang Xingyi *(appointed on 27 November 2019)*	2/2	–	–	–
Mr. Sun Yifei *(appointed on 6 December 2019)*	1/1	–	N/A	–
Mr. Li Dongming *(resigned on 17 October 2019)*	12/12	–	3/3	–
Mr. Huang Jingkai *(resigned on 6 December 2019)*	13/13	–	4/4	–
Non-executive Director				
Mr. Zhong Baisheng *(Chairman)* *(re-designated on 15 August 2019)*	5/15	–	–	–
Independent non-executive Directors				
Mr. Han Biao	15/15	2/2	5/5	5/5
Mr. Li Qi	11/15	2/2	4/5	4/5
Mr. Wong Kai Hing *(appointed on 27 November 2019)*	2/2	N/A	1/1	1/1
Mr. Choi Tan Yee *(appointed on 24 May 2019 and resigned on 28 August 2019)*	8/8	N/A	1/1	1/1
Mr. Wong Lit Chor, Alexis *(retired on 24 May 2019)*	3/3	1/1	2/2	2/2

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 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 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 2019:

	Type of trainings	
	Attending seminars/ conferences and/or similar events	Reading materials and updates
Executive Directors		
Mr. Zhong Yiming (chief executive officer) *(appointed on 15 August 2019)*	√	√
Mr. Yip Chee Lai, Charlie		√
Mr. Wang Xingyi *(appointed on 27 November 2019)*	√	√
Mr. Sun Yifei *(appointed on 6 December 2019)*	√	√
Mr. Li Dongming (Vice-chairman) *(resigned on 17 October 2019)*	√	
Mr. Huang Jingkai (Vice-chairman) *(resigned on 6 December 2019)*		
Non-executive Director		
Mr. Zhong Baisheng (chairman) *(re-designated on 15 August 2019)*		√
Independent non-executive Directors		
Mr. Han Biao	√	√
Mr. Li Qi	√	√
Mr. Wong Kai Hing *(appointed on 27 November 2019)*	√	√
Mr. Choi Tan Yee *(appointed on 24 May 2019 and resigned on 28 August 2019)*	√	
Mr. Wong Lit Chor, Alexis *(retired on 24 May 2019)*		

DIRECTORS' ATTENDANCE AT GENERAL MEETING

During the year under review, the Company held one annual general meeting on 24 May 2019 (the "**2019 AGM**"). The attendance of each Director is set out in the table below:

	2019 AGM
Executive Directors	
Mr. Zhong Yiming (chief executive officer) [1] *(appointed on 15 August 2019)*	N/A
Mr. Yip Chee Lai, Charlie	√
Mr. Wang Xingyi *(appointed on 27 November 2019)*	N/A
Mr. Sun Yifei [2] *(appointed on 6 December 2019)*	N/A
Mr. Li Dongming (Vice-chairman) [3] *(resigned on 17 October 2019)*	√
Mr. Huang Jingkai (Vice-chairman) [4] *(resigned on 6 December 2019)*	√
Non-executive Director	
Mr. Zhong Baisheng (Chairman) *(re-designated on 15 August 2019)*	×
Independent non-executive Directors	
Mr. Han Biao	√
Mr. Li Qi	√
Mr. Wong Kai Hing *(appointed on 27 November 2019)*	N/A
Mr. Choi Tan Yee *(appointed on 24 May 2019 and resigned on 28 August 2019)*	N/A
Mr. Wong Lit Chor, Alexis *(retired on 24 May 2019)*	√

Notes:

1. Mr. Zhong Yiming was appointed as an authorised representative of the Company with effect from 17 October 2019.

2. Mr. Sun Yifei was appointed as an authorised representative of the Company with effect from 6 December 2019.

3. Mr. Li Dongming resigned as an authorised representative of the Company with effect from 17 October 2019 and Mr. Tam Ka Tung and Ms. Lok Man Tsit were his alternate authorised representative, until 5 August 2019 and between 5 August 2019 to 17 October 2019, respectively.

4. Mr. Huang Jingkai resigned as an authorised representative of the Company with effect from 6 December 2019.

Remarks:

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

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. Li Qi, Mr. Han Biao and Mr. Wong Kai Hing, all being independent non-executive Directors. Mr. Wong Kai Hing 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 external professional advisers 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 2018;

ii. reviewed the interim results of the Group for the six months ended 30 June 2019; and

iii. reviewed the financial status and performance, internal control and risk management systems of the Group for the year ended 31 December 2018 and six months ended 30 June 2019.

Remuneration Committee

As at the date of this report, the Remuneration Committee consists of three independent non-executive Directors, namely Mr. Han Biao, Mr. Li Qi and Mr. Wong Kai Hing and two executive Directors, namely Mr. Zhong Yiming and Mr. Sun Yifei. 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 or any of his 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 2019 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 7 of this annual report.

Five meetings of the Remuneration Committee were held during the year. During the meetings, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of Directors and senior management, and considered the appointment of Directors and chief executive officer of the Company.

Nomination Committee

As at the date of this report, the Nomination Committee consists of three members, namely Mr. Han Biao, Mr. Li Qi and Mr. Wong Kai Hing. 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 the 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 independence and capability to devote sufficient time and commitment to the roles as well as potential conflict of interests.

Five meetings of the Nomination Committee were held during the year. During the meetings, the Nomination Committee reviewed the nomination policy and board diversity policy, recommended Directors standing for re-election at the annual general meeting of the Company, considered the appointment of Directors, committee members and chief executive officer of the Company, and reviewed the structure, size and composition of the Board and each of the committee of the Board. The Nomination Committee considered the current structure, size and composition of the Board and each committee of the Company is sufficient.

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 Yiming, Mr. Yip Chee Lai, Charlie, Mr. Wang Xingyi and Mr. Sun Yifei, with Mr. Zhong Yiming being the chairman of the Executive Committee. 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 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.

In order to achieve effective and efficient operations and reliable financial reporting and compliance with applicable laws and regulations, the Company has adopted various internal control rules and procedures, including the following:

i. to adopt the internal control management measures, which set out the procedures for effective implementation of internal control measures; and

ii. to engage external professional advisers as necessary to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner.

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually and the cycles reviewed are on rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and the management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

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 2019 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 flows 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 78 to 80 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$730,000 for non-auditing services by the Company's auditor, Moore Stephens.

	Fee paid/payable HK$'000
Annual audit services	2,100
Other services:	
Review of interim results	730
Total	2,830

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 objectivity of audit services.

RISK MANAGEMENT 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 Control

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 written 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. The written guidelines and procedures will be subject to be reviewed by the Company as and when it thinks appropriate.

COMPANY SECRETARY

Mr. Tam Ka Tung resigned as the company secretary of the Company on 5 August 2019. Ms. Lok Man Tsit was appointed as the company secretary of the Company on 5 August 2019 and resigned as the company secretary of the Company on 8 January 2020. Mr. Kam Chi Sing ("**Mr. Kam**") was appointed as the company secretary of the Company on 8 January 2020. Mr. Kam 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. Kam 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. Kam 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 reasonably 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 EGM 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.

CONSTITUTIONAL DOCUMENT

During the year under review, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhong Yiming ("Mr. Zhong YM"), aged 30, joined the Company in August 2019 as an executive Director, the chief executive officer, the chairman of Executive Committee and a member of Remuneration Committee. Mr. Zhong YM is also a member of the senior management of Tempus Group Co., Ltd* (騰邦集團有限公司) and its subsidiaries. He obtained a Bachelor's degree in business management from Coventry University in the United Kingdom in 2012. After that, he has been profoundly working in the investment field with the focus of Hong Kong and international capital markets and has accumulated extensive market and management experience. Mr. Zhong YM is the founder of Enter Venture Partners Limited, a Hong Kong company primarily invests in the international medical and innovative technology business opportunities. He has also formed a strategic alliance with the famous investment management company in Israel in pursuing business opportunities in the PRC. Mr. Zhong YM had been appointed as the chairman of ATTA Group, which is holding company of Atta Capital Limited ("**ATTA Capital**") and Atta Securities Limited ("**ATTA Securities**"). ATTA Capital is a licensed corporation for type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the SFO, which provides consultancy services on private equity investment, asset management, securities, discretionary investment portfolio management and investment portfolio management. ATTA Securities is a licensed corporation for type 1 (dealing in securities) and type 2 (dealing futures contracts) regulated activities as defined in the SFO. During Mr. Zhong YM's tenure of services as a chairman of ATTA Group, he successfully introduced a leading enterprise in financial holding in Guangdong Province, as a strategic shareholder of ATTA Group, aiming at developing ATTA Group as an influential financial platform in the Guangdong-Hong Kong-Macao Greater Bay Area. Mr. Zhong YM is the son of Mr. Zhong Baisheng, a non-executive Director and the chairman of the Board, and the brother-in-law of Mr. Wang Xingyi, an executive Director.

Mr. Yip Chee Lai, Charlie ("Mr. Yip"), aged 60, joined the Company in May 2011 as an executive Director and vice president. He also holds directorships in certain subsidiaries of the Group. Mr. Yip 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.

Mr. Wang Xingyi ("Mr. Wang"), aged 31, joined the Company in September 2016 and was appointed as an executive Director and a member of the Executive Committee in November 2019. He obtained a Bachelor of Arts degree in Business Administration from Lincoln University in May 2011 and a Master of Arts degree in Financial Economics from the University of Detroit Mercy in December 2012. Prior to joining the Company, Mr. Wang worked for MTR Property Development (Shenzhen) Company Limited from March 2013 to March 2014 and MTR Corporation Limited from March 2014 to September 2016, respectively, acting as a real estate development officer and a real estate support officer. He has served as an assistant to the chairman of the Board of the Company since September 2016, assisting in handling work including corporate strategies, governance and financial policies. Mr. Wang is the director of Tempus Cross-border Commercial Service Limited, Tempus OTO Limited, Tempus Star (HK) Investment Limited, Tempus (BVI) Investment Limited, OTO (BVI) Investment Limited, Tempus (BVI) Properties Investment Limited, KK VII (BVI) Limited, KK VIII (BVI) Limited and 深圳騰邦豪特商貿有限公司 which are wholly owned subsidiaries of the Company, and he is also the director of Tempus Sky Enterprises Limited which is indirectly held by the Company for its 36.56% of the entire issued share capital. Mr. Wang is the son-in-law of Mr. Zhong Baisheng, the non-executive Director and the chairman of the Board, and the brother-in-law of Mr. Zhong YM, an executive Director and the chief executive officer.

Mr. Sun Yifei ("Mr. Sun"), aged 36, joined the Company in March 2017 and was appointed as an executive Director, a member of the Executive Committee and Remuneration Committee in December 2019. He obtained a Bachelor's degree in information management and information system and a Bachelor's degree in economics from Peking University in July 2006, and a Master's degree in information management from Peking University in July 2008. Mr. Sun has over 11 years of experience in financial industry. Prior to joining the Company, Mr. Sun worked at Huatai Securities Co., Ltd. from July 2008 to July 2010, China Development Bank Capital Co., Ltd. from July 2010 to July 2013 and the investment bank department of BOC International Holdings Limited from July 2013 to February 2017. Mr. Sun has acted as the vice president of the Company since March 2017. Mr. Sun is the legal representative and the director of 珠海騰邦金躍投資有限公司 and 深圳騰邦科技產業發展有限公司 which are indirect wholly owned subsidiaries of the Company, and he is the legal representative and director of 天津騰邦易貿通外貿服務有限公司 which is indirectly held by the Company for 80% equity interest, and he is also the general manager of 煙台騰邦股權投資管理有限公司 which is indirectly held by the Company for its 40% equity interest.

NON-EXECUTIVE DIRECTOR

Mr. Zhong Baisheng ("Mr. Zhong"), aged 55, has been re-designated as a non-executive Director with effect from 15 August 2019. He was a non-executive Director from January 2015 to February 2019, and was an executive Director from 1 March 2019 to August 2019. Mr. Zhong is the chairman of the Board and is responsible for leadership of the Board and strategic planning of the Group. He is the founder and chairman of Tempus Group 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. Zhong is the father of Mr. Zhong YM, an executive Director and the chief executive officer, and the father-in-law of Mr. Wang, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Biao ("Mr. Han"), aged 56, joined the Company in January 2015 as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee. Mr. Han is the Professor and mentor for Doctor of Philosophy degree candidate of the School of Economics of the University of Shenzhen of the PRC. He was an independent director of Tempus Global from April 2011 to April 2014. He was an independent director of Shenzhen Airport Co. Limited* (深圳市機場股份有限公司) from 2004 to 2008 and an independent director of Shenzhen Heungkong Holding Co., Ltd* (深圳香江控股股份有限公司) from 2004 to 2007. Mr. Han is a member of the standing committee of the Chinese Association of Quantitative Economics. Mr. Han obtained his Doctor of Economics from the Northern Jiaotong University of the PRC, his Master of Engineering from Xian Highway Institute* (西安公路學院) of the PRC and his Bachelor of Engineering from Xian Highway Institute* (西安公路學院) of the PRC.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Qi ("Mr. Li"), aged 64, joined the Company in January 2015 as an 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 2022. He was the deputy dean of School of Economics and Finance of Xi'an Jiaotong University. He was 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) since 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.

Mr. Wong Kai Hing ("Mr. Wong"), aged 45, joined the Company in November 2019 as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wong has been re-designated as the chairman of the Audit Committee on 27 March 2020. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Financial Analyst. He holds a Bachelor's degree in Business Administration in Professional Accountancy from the Chinese University of Hong Kong in 1997. Mr. Wong obtained a Master of Business Administration from the Chinese University of Hong Kong in 2006. Mr. Wong has over 20 years of experience in the field of company secretarial, auditing, finance and accounting and worked in various listed companies and an international accounting firm in Hong Kong. Prior to his appointment, he was the chief financial officer and company secretary of Xiwang Property Holdings Company Limited (stock code: 2088) and Xiwang Special Steel Company Limited (stock code: 1266) from November 2015 to October 2019 respectively.

COMPANY SECRETARY

Mr. Kam Chi Sing ("Mr. Kam"), was appointed as the company secretary of the Company on 8 January 2020. Mr. Kam has over 19 years of CPA practising experience in Hong Kong. Mr. Kam is a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants, The Institute of Financial Accountants in the United Kingdom, The Taxation Institute of Hong Kong and The Hong Kong Institute of Directors. Mr. Kam is also a member of The Society of Trust and Estate Practitioners and The Hong Kong Securities and Investment Institute and founding member of The Hong Kong Independent Non-executive Director Association.

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 businesses of (i) sales of health and wellness products; and (ii) trading and distribution of consumer products and provision of logistics services ("**trading and logistics business**") in the People's Republic of China (the "**PRC**"), Hong Kong ("**HK**"), Macau, Singapore and Malaysia during the year ended 31 December 2019 ("**FY2019**"). The Group partially disposed the shareholding of a company incorporated in Hong Kong, ("**Disposed Operating Company**") which was engaged in the trading and logistics business, the Disposed Operating Company ceased to be a subsidiary and has became an associate of the Group since August 2019. As the Group did not have operational control over the associate in the logistics business segment from August 2019 onward, the corresponding fuel usage, energy consumption and pollutant emissions in this business segment after August 2019 are excluded from the ESG reporting scope in FY2019. 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 the 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 the Group's sustainability initiatives during the reporting period from 1 January 2019 to 31 December 2019.

Contact Information

The Group welcomes your feedback on this ESG Report for its sustainability initiatives. Please contact the Group 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. It sells 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 business represents delivery and distribution of goods for customers. Warehouse and other business includes 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 it operates 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 its 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
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 shareholders' meetings – Annual report and announcements	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars and two periodic financial reports in total in the year – Carried out different forms of investor activities with an aim to improve investors' recognition – Held investors conference once results are announced – Disclosed company contact details on website and in reports and ensured all communication channels are available and effective

Stakeholders	Expectations	Engagement channels	Measures
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 – Internet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; 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 and 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
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair and 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 has 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 Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the Global Reporting Initiative Guidelines.

The Group has 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 area 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 areas 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 were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in FY2019, those ESG areas which were important to the Group were discussed in this ESG Report.

ENVIRONMENTAL ASPECTS

As a non-manufacturing enterprise, the Group does not have significant adverse impact on the environment, but still strive to make contribution to environment protection. For instance, it chooses the contractors which use the safely and environmental-friendly decoration materials. Environmental sustainability becomes 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 Hong Kong, Environmental Protection Law of the PRC 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. Air pollutant emission and gas emission generated by the operations of the Group were insignificant. Its air pollutants were mainly generated from the mobile sources. As the Group disposed the Disposed Operating Company which was engaged in the trading and logistics business, the Disposed Operating Company ceased to be a subsidiary and became an associate of the Group in August 2019, this led to a decrease in air pollutant emission during the year when comparing with 2018.

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

Air Pollutant Emission	Unit	2019 Total	2018 Total
Nitrogen oxides (NO_x)	kg	**1,857.41**	2,108.76
Sulfur dioxide (SO_2)	kg	**3.02**	5.84
Particulate matter (PM)	kg	**136.39**	157.55

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 its GHG emission. No GHG emission were generated through stationary sources as the Group was not engaged in any industrial production. During the reporting period, its GHG emission scope 1 and scope 2 mainly came from mobile combustion and purchased electricity respectively. As the Disposed Operating Company, which was engaged in the trading and logistics business, was disposed, it ceased to be a subsidiary and became an associate of the Group in August 2019, this led to a decrease in GHG emission during the year when comparing with 2018.

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

GHG Emission[1]	Unit	**2019 Total**	2018 Total
Scope 1[2]	tonnes of CO2-e	**460.01**	813.47
Scope 2[3]	tonnes of CO2-e	**301.17**	578.35
Total	tonnes of CO2-e	**761.18**	1,391.82
GHG emission intensity	tonnes of CO2-e/m[2]	**0.13**	0.07

Hazardous and Non-hazardous Wastes

The Group does not generate any hazardous waste during the reporting period. Non-hazardous wastes generated from the Group includes paper and plastic. The waste is mainly generated from daily office operation.

The Group has implemented various environmental measures to reduce both hazardous and non-hazardous wastes. For example, the Group suggests the product suppliers to use recyclable and durable packaging materials, and considers it as one of the selection criteria of the product suppliers. It 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. It 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. Since the products sold by the Group are packaged by the product suppliers, and the packaged products are delivered directly to the customers. As a result, the Group has not collected any data of the total weight of the packaging materials used for its finished products during the year under review. The Group takes effort to reduce wastes in its daily business operation and handles wastes in an environmental-friendly way. The Group encourages all employees to consider environmental-friendly printing such as double-sided printing and copying. The Group also encourages employees to reuse single-sided non-confidential print-out. Office Automation system is used for administrative processes and leave applications instead of paper records.

The decrease in the amount of non-hazardous waste generated in 2019 was mainly attributable to the effective 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	**2019 Total**	2018 Total
Non-hazardous wastes generated	kg	**350.87**	1,428.91
Non-hazardous wastes generated intensity	kg/m[2]	**0.02**	0.08

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.

Use of Resources

As a non-manufacturing enterprise, it did not have significant adverse impact on the environment and natural resources, but still strived to make contribution to environment protection. For instance, when its retail outlets require decoration or renovation, it requires 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 corporation. The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance. It is also exploring energy saving and green management measures for its facilities, and strive to reduce resource consumption as much as possible. In the meantime, the Group puts effort to promote energy-saving awareness among its staff by sending related reminders or messages through emails and messages, recommending them to switch off all the lights, computers and printers by the end of the working day. The Group encourages all of its employees to set their computers to sleep-mode automatically when they leave the computers idle for a certain period of time. Printers and copiers are also set to sleep-mode automatically for the computers. Receptionists are responsible for turning off lights and all the electronic appliances after meetings. Air-conditioners are set within a reasonable range of around 25 degrees Celsius.

As the Group disposed the Disposed Operating Company which was engaged in the trading and logistics business, the Disposed Operating Company ceased to be a subsidiary and became an associate of the Group in August 2019, this led to a decrease in electricity and fuel consumption during the year when comparing with 2018. During the reporting period, the energy consumption are as follows:

Energy Consumption	**Unit**	**2019 Total**	2018 Total
Purchased electricity	kWh in ’000s	**441.89**	856.28
Petrol	kWh in ’000s	**40.05**	145.25
Diesel	kWh in ’000s	**1,815.47**	3,145.64
Total energy consumption	kWh in ’000s	**2,297.41**	4,147.17
Energy consumption intensity	kWh in ’000s/m^2	**0.34**	0.16

Water Consumption

Water is another important natural resource. Other than the domestic water used in office, there was no other water required during the Group’s daily operation. The retail outlets and warehouses normally shared the same potable water and drainage systems with shopping malls or properties. The decrease in water consumption in 2019 was mainly attributable to the Group’s effort in conserving water with aforementioned water-saving strategies implemented during the year when comparing with 2018.

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

Water Consumption	Unit	2019 Total	2018 Total
Water consumption	tonnes	**1,514.50**	2,377.21
Water consumption intensity	tonnes/m^2	**1.30**	0.12

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 around 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 Hong Kong, 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 Hong Kong, Labour Law of the PRC, Employment Act in Singapore and Employment Act in Malaysia.

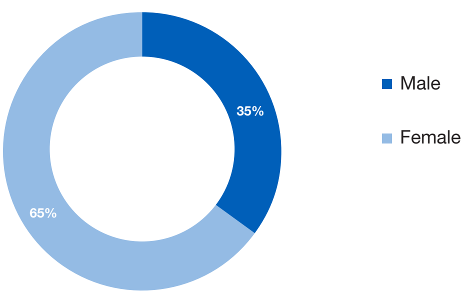
The Group provides competitive salaries to employees based on their qualifications, contributions and experience. Its performance appraisal mechanism allows the Group to dynamically adjust employees' salary and award bonuses based on their performance, experience, working attitude and the Group's performance.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

The working hours and working days of the Group's employees are set in compliance with applicable 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 labour, the Group has formulated work attendance regulation.

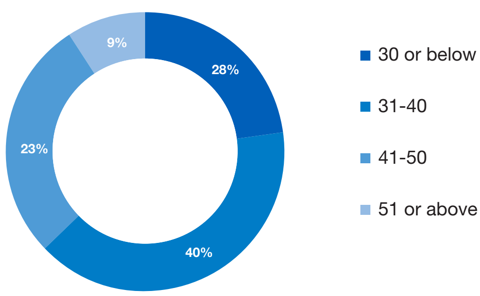
For its employees in Hong Kong, the Group participates in Mandatory Provident Fund ("**MPF**") Schemes in accordance with the MPF Schemes Ordinance in Hong Kong. The Group also participates in the Macau SAR's mandatory social security funds and makes contributions in accordance with the provisions in 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 employees of the Group located in Hong Kong, the PRC and overseas. Below is the employee breakdown by gender, age group, employment category and geographical region.

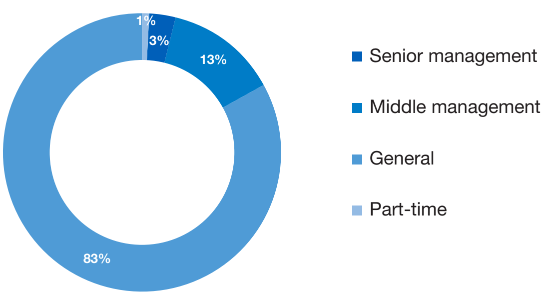
Gender



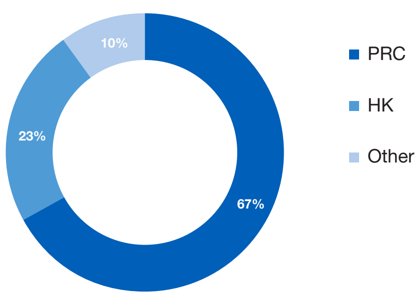
Age Group



Employment Category



Geographical Region



The employee turnover rates during the reporting period by gender, age group and geographical region are as follows:

Employee turnover rate	2019	2018
By gender		
– Male	**27%**	12%
– Female	**33%**	36%
By age group		
– Age 30 or below	**51%**	44%
– Age 31-40	**29%**	26%
– Age 41-50	**18%**	15%
– Age 51 or above	**14%**	11%
By geographical region		
– Hong Kong	**17%**	19%
– The PRC	**38%**	39%
– Singapore	**32%**	20%
– Malaysia	**7%**	70%
Overall	**31%**	28%

Health Development and Training

The Group has always placed the highest priority on securing health and safety for its 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 its 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 Hong Kong 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 include topics such as technical development trends, new technology development and application, etc.; the contents for employees in charge of marketing include topics such as market status and trends, market behaviour, marketing management techniques, advertising, media, etc.; the contents for employees in charge of logistics service include 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 is organised, 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 the mode of enterprise operation, etc.

In 2019, 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 (hours/employee)	
	2019	2018	**2019**	2018
By gender				
– Male	**21%**	24%	**2**	3
– Female	**4%**	25%	**1**	2
By employment category				
– Senior management	**46%**	22%	**6**	1
– Middle management	**6%**	70%	**1**	6
– General	**10%**	19%	**1**	2

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 sustainable development. The Group strictly complies with the relevant laws and regulations, such as Employment Ordinance in Hong Kong, 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, dialling the after-sales service hotline, or sending e-mail. For the complaints about service attitude, the sales department will conduct investigation and impose penalties as appropriate. The complaining customer will be informed of the result of the investigation in due course. In addition, the Group also collects the opinions and suggestions on products from customers through customer relationship management system, in order to assist the design and development of products and enhance the quality management and services. According to the record, no products and service-related complaints were received during the year.

Product Promotion

The Group displays products through television, radio programs, newspapers, magazines, advertising posters, display boards, in-store display boards, exhibition shelves 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 Hong Kong. The Group also ensures that all advertising contents are clear, real and authentic. The use of false and misleading product descriptions in advertisements is strictly prohibited.

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 Hong Kong 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 labour potential, increase customer satisfaction, etc.

Construction of Clean Administration

The Group strictly abides by the laws and regulations on integrity and prevention of corruption, bribery, fraud and extortion in countries or regions where it operates, such as the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance in Hong Kong. The Group explicitly states that any form of corruption, bribery or kickback is strictly prohibited in its labour 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

Annual Award

In 2019, one of our subsidiaries, OTO Bodycare (H.K.) Limited, has been awarded "Hong Kong Famous Brand" through the efforts of all employees. The Group was deeply honored and would continue to make efforts to fulfill the expectations of the stakeholders.

INDEPENDENT AUDITOR'S REPORT

MOORE

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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 81 to 203, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 1(b) to the consolidated financial statements, which states that the Group incurred net loss of approximately HK$282 million for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$248 million. As at 31 December 2019, the Group has total bank and other borrowings of approximately HK$205 million, of which approximately HK$136 million are repayable within twelve months from 31 December 2019 and approximately HK$69 million contain a repayment on demand clause, as disclosed in Note 34. In addition, the Group's convertible bonds together with interest payable amounted to approximately HK$171 million as at 31 December 2019 are repayable on demand since the Group and its guarantor failed to settle the principal and interest on the maturity date (which was 30 May 2019), as disclosed in Note 35. These conditions, together with other matters disclosed in Note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 27 to the consolidated financial statements, the trade receivables amounted to HK$87,583,000 as at 31 December 2019. 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 judgement 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 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$22,972,000 as at 31 December 2019, with the fair value loss of HK$22,958,000 recognised in the profit or loss for the year then ended. As disclosed in Notes 4 and 21 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.	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, 22 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations			
Revenue	5	**450,777**	545,032
Cost of sales		**(213,984)**	(323,175)
Gross profit		**236,793**	221,857
Other income	6	**10,494**	22,883
Other gains and losses	7	**(30,926)**	56,856
Impairment losses on financial assets		**(50,207)**	(3,187)
Share of results of a joint venture	19	**–**	512
Share of results of associates	20	**(32,633)**	3,104
Selling and distribution expenses		**(209,234)**	(174,929)
Administrative expenses		**(101,865)**	(107,006)
Finance costs	8	**(49,394)**	(57,725)
Loss before tax	9	**(226,972)**	(37,635)
Income tax expense	10	**(1,082)**	(2,232)
Loss for the year from continuing operations		**(228,054)**	(39,867)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	11	**(54,296)**	8,973
Loss for the year		**(282,350)**	(30,894)
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of:			
– functional currency to presentation currency of subsidiaries		**(8,926)**	(17,780)
– reclassified to profit or loss upon disposal of a subsidiary		**4,905**	–
		(4,021)	(17,780)
Total comprehensive loss for the year		**(286,371)**	(48,674)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– for continuing operations		**(225,976)**	(39,869)
– for discontinued operations		**(36,493)**	5,947
		(262,469)	(33,922)
Non-controlling interests			
– for continuing operations		**(2,078)**	20
– for discontinued operations		**(17,803)**	3,008
		(19,881)	3,028
		(282,350)	(30,894)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000 (restated)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(266,713)**	(49,044)
Non-controlling interests		**(19,658)**	370
		(286,371)	(48,674)
(Loss)/earnings per share	15		
– from continuing operations		**(0.65)**	(0.12)
– from discontinued operations		**(0.10)**	0.02
Basic and diluted (HK$)		**(0.75)**	(0.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**324,463**	338,979
Right-of-use assets	17	**63,828**	–
Investment properties	18	**–**	152,700
Investment in a joint venture	19	**–**	–
Investments in associates	20	**14,455**	52,247
Financial assets at fair value through profit or loss	21	**22,972**	45,761
Deferred tax assets	22	**1,253**	1,253
Intangible assets	23	**–**	2,285
Goodwill	24	**–**	2,657
Utility and other deposits paid	25	**8,452**	10,878
		435,423	606,760
Current assets			
Inventories	26	**33,429**	37,995
Trade, bills and other receivables	27	**144,478**	285,015
Utility and other deposits paid	25	**12,630**	21,004
Loans receivable	28	**–**	28,020
Amount due from an associate	29	**–**	–
Tax recoverable		**1,488**	1,178
Pledged bank deposits	25	**3,404**	9,119
Bank balances and cash	25	**73,340**	134,467
		268,769	516,798
Current liabilities			
Trade and other payables	30	**86,734**	99,736
Contract liabilities	31	**11,628**	20,346
Amount due to an intermediate holding company	29	**–**	1,355
Amount due to an immediate holding company	29	**600**	–
Lease liabilities	32	**38,829**	–
Obligations under finance leases	33	**–**	1,925
Tax payable		**2,637**	10,142
Bank and other borrowings – due within one year	34	**205,356**	131,179
Convertible bonds	35	**170,504**	192,228
Senior note	36	**–**	50,645
		516,288	507,556
Net current (liabilities)/assets		**(247,519)**	9,242
Total assets less current liabilities		**187,904**	616,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Lease liabilities	32	**27,490**	–
Obligations under finance leases	33	**–**	3,194
Bank and other borrowings – due after one year	34	**–**	162,546
		27,490	165,740
Net assets		**160,414**	450,262
Capital and reserves			
Share capital	37	**27,231**	27,279
Reserves		**108,530**	379,809
Equity attributable to owners of the Company		**135,761**	407,088
Non-controlling interests		**24,653**	43,174
Total equity		**160,414**	450,262

The consolidated financial statements on pages 81 to 203 were approved and authorised for issue by the board of directors on 22 June 2020 and are signed on its behalf by:

Zhong Yiming
Director

Sun Yifei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	27,279	360,207	32	7,937	(195)	(128,447)	2,332	(20,796)	11,630	200,555	460,534	51,222	511,756
(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 as previously reported	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
Impact on initial application of HKFRS 16 Leases (Note 2)	–	–	–	–	–	–	–	–	–	(3,079)	(3,079)	(128)	(3,207)
At 1 January 2019 (restated)	27,279	360,207	32	9,374	(14,695)	(124,750)	2,332	(20,677)	14,100	150,807	404,009	43,046	447,055

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Share options reserve	Translation reserve	Capital reserve	Property revaluation reserve	Other reserve	Statutory reserve	Retained profits/ (accumulated losses)	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
						(Note (a))		(Note (c))	(Note (b))				
Loss for the year	–	–	–	–	–	–	–	–	–	(262,469)	(262,469)	(19,881)	(282,350)
Other comprehensive loss for the year													
– exchange difference arising on translation	–	–	–	–	(8,107)	–	–	–	–	–	(8,107)	(819)	(8,926)
– reclassified to profit or loss upon disposal of a subsidiary	–	–	–	–	3,863	–	–	–	–	–	3,863	1,042	4,905
Total comprehensive loss for the year	–	–	–	–	(4,244)	–	–	–	–	(262,469)	(266,713)	(19,658)	(286,371)
Recognition of equity-settled share-based payments	–	–	–	(855)	–	–	–	–	–	–	(855)	–	(855)
Transfer upon forfeiture of share options	–	–	–	(5,973)	–	–	–	–	–	5,973	–	–	–
Share repurchased and cancelled (Note 37)	(48)	(632)	–	–	–	–	–	–	–	–	(680)	–	(680)
Arising from disposal of subsidiaries	–	–	–	–	–	–	(2,332)	–	(33)	2,365	–	1,265	1,265
At 31 December 2019	27,231	359,575	32	2,546	(18,939)	(124,750)	–	(20,677)	14,067	(103,324)	135,761	24,653	160,414

For the year ended 31 December 2019

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 Shenzhen Tempus Value Chain Co., Ltd ("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 2019

	NOTES	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax			
– for continuing operations		**(226,972)**	(37,635)
– for discontinued operations		**(55,348)**	12,235
		(282,320)	(25,400)
Adjustments for:			
Amortisation of intangible assets	9	**507**	761
Depreciation of property, plant and equipment		**17,424**	15,769
Depreciation of right-of-use assets		**55,148**	–
Finance costs		**50,961**	58,374
Share of results of a joint venture		**–**	(512)
Share of results of associates		**32,633**	(3,104)
Gain on fair value change of derivatives embedded in convertible bonds	7, 35	**(6,895)**	(15,842)
Gain on lapse of conversion options of convertible bonds	7, 35	**(3,200)**	–
Loss/(gain) on fair value change of investment properties	7, 18	**4,980**	(34,150)
Loss on disposal of subsidiaries	38	**30,415**	–
Loss/(gain) on fair value change of financial assets at fair value through profit or loss	7	**22,958**	(6,028)
Gain on disposal of an associate	7	**–**	(2,295)
Gain on disposal of property, plant and equipment		**(8,787)**	(750)
Loss on write-off of property, plant and equipment	7	**4**	105
Gain on disposal of right-of-use assets – motor vehicle		**(170)**	–
Impairment losses on financial assets		**62,466**	3,187
Impairment losses on interest in an associate	7, 20(e)	**7,350**	–
Impairment losses on inventories	9	**3,674**	–
Loss on dissolution of an associate	7, 20(d)	**1,915**	–
(Reversal)/charge of share-based payment expense		**(855)**	2,081
Bank interest income		**(575)**	(1,767)
Interest income on loans receivable	6	**(1,413)**	(3,604)
		(13,780)	(13,175)
Decrease/(increase) in inventories		**892**	(3,587)
Decrease/(increase) in trade, bills and other receivables		**7,252**	(19,231)
Decrease in utility and other deposits paid		**8,445**	2,582
Decrease in amounts due from related companies		**–**	556
Increase/(decrease) in trade and other payables		**39,749**	(10,841)
(Decrease)/increase in contract liabilities		**(8,718)**	9,711
Decrease in amounts due to related companies		**–**	(1,054)
Cash generated from/(used in) operations		**33,840**	(35,039)
Income taxes paid		**(7,588)**	(7,552)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**26,252**	(42,591)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
INVESTING ACTIVITIES			
Withdrawal of bank deposits with original maturity over three months		**–**	4,045
Acquisition of financial assets at fair value through profit or loss		**–**	(11,954)
Investment in associates		**–**	(49,345)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	48,601
Proceeds from disposal of an associate	27	**21,257**	32,535
Net cash inflow from disposal of subsidiaries	38	**30,674**	–
Proceeds from deregistration of an associate		**74**	–
Advances of a loan to a third party	28	**–**	(20,000)
Repayment of loans from third parties	28	**900**	29,000
Bank interest received		**575**	1,767
Interest received from loans receivable		**1,413**	–
Additions of property, plant and equipment		**(12,088)**	(25,827)
Proceeds from disposal of property, plant and equipment		**10,826**	2,226
Proceeds from disposal of an investment property		**10,620**	–
Proceeds from disposal of right-of-use assets		**210**	–
Decrease in pledged bank deposits		**5,715**	559
NET CASH GENERATED FROM INVESTING ACTIVITIES		**70,176**	11,607

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
Dividends paid	14	**–**	(8,047)
Repayments of obligations under finance leases		**–**	(3,635)
Interest paid		**(19,986)**	(33,218)
Payment for the acquisition of entities under common control		**–**	(15,332)
Payment for acquisition of additional interest in subsidiaries from non-controlling shareholders		**–**	(17,000)
Proceeds from issue of convertible bonds	35	**–**	190,000
Redemption of convertible bonds	35	**(38,000)**	(166,176)
Repayments of senior note	36	**(50,000)**	(50,000)
Repurchase of shares	37	**(680)**	–
(Repayment to)/advance from an intermediate holding company		**(1,355)**	1,355
Advance from an immediate holding company		**600**	–
Advance from an associate		**1,327**	–
Repayments of bank and other borrowings		**(33,667)**	(44,733)
New bank and other borrowings raised		**49,062**	189,139
Repayments of lease liabilities		**(58,023)**	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(150,722)**	42,353
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(54,294)**	11,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**134,467**	131,077
Effect of foreign exchange rate changes		**(6,833)**	(7,979)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**73,340**	134,467

1. GENERAL AND BASIS OF PREPARATION

(a) General information

Tempus Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares 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 47. 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.

(b) Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all HKFRSs, Hong Kong Accounting Standards ("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.

Going concern

During the year ended 31 December 2019, the Group reported a net loss of approximately HK$282 million. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$248 million. As at 31 December 2019, the Group has total bank and other borrowings of approximately HK$205 million, of which are approximately HK$136 million are repayable within twelve months from 31 December 2019 and approximately HK$69 million contain a repayment on demand clause, as disclosed in Note 34. In addition, the Group's convertible bonds together with interest payable amounting to approximately HK$171 million as at 31 December 2019 are repayable on demand since the Group and its guarantor failed to settle the principal and interest on the maturity date (which was 30 May 2019), as disclosed in Note 35. The bank balances and cash of the Group amounted to approximately HK$73 million as at 31 December 2019.

1. GENERAL AND BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation *(Continued)*

Going concern (Continued)

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors of the Company have adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following:

(i) The Group is discussing with the subscriber of the convertible bonds to extend the maturity date of the convertible bonds. No legal action to request immediate repayment has been taken by the subscriber of the convertible bonds up to the date when the financial statements are authorised for issue. Subsequent to the end of the reporting period and up to the date when the financial statements are authorised for issue, the Group has repaid HK$4 million of the convertible bonds;

(ii) During the year ended 31 December 2019, the Group completed the disposal of its indirect non-wholly owned subsidiary with remaining consideration amounting to HK$13 million (gross amount), of which HK$7,801,000 has been received up to the date when the consolidated financial statements are authorised for issue, which will be used as working capital of the Group. The Group adopted the strategy to strip loss-making business, streamline its businesses to focus on the main businesses and improve its overall performance and prospects. The disposal provided a net cash inflow to the Group to enhance the cash position and working capital of the Group in view of its recent liquidity issue;

(iii) Subsequent to the end of the reporting period and up to the date when the consolidated financial statements are authorised for issue, the Group has received RMB13,565,000 (equivalent to HK$15,119,000) of the remaining balance arising from disposal of an associate on 28 December 2018, details of which are set out in Note 49 to the consolidated financial statements;

(iv) The Group is looking for an opportunity to realise part of its investments and other assets to reduce its overall business risk and to obtain additional working capital;

(v) The Group has implemented measures to speed up the collection of outstanding sales proceeds; and

(vi) The Group is planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

1. GENERAL AND BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation *(Continued)*

Going concern (Continued)

Provided that these measures can successfully improve the liquidity of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to restate the values of assets to their estimated recoverable amounts, to provide for any further liabilities which might arise and to re-classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

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

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

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

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts. The lease liabilities were measured at their present value discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. And the right-of-use assets were measured, by applying HKFRS 16.C8(b)(i) transition, at their carrying amounts as if the standard applied since the commencement date but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment if whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of lease with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.72%.

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	91,485
Lease liabilities discounted at relevant incremental borrowing rates	88,785
Less: Recognition exemption – low-value assets	(491)
Recognition exemption – short-term lease	(157)
Add: Obligations under finance leases recognised at 31 December 2018 (Note (a))	5,119
Lease liabilities as at 1 January 2019	93,256
Analysed as	
Current	43,506
Non-current	49,750
	93,256

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

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**84,930**
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases (Note (a))	**4,924**
Adjustments on rental deposits at 1 January 2019 (Note (b))	**1,380**
Right-of-use assets as at 1 January 2019	**91,234**
By class:	
Leased premises used by the Group as:	
– Offices	**7,969**
– Retail shops	**51,449**
– Staff quarters	**1,138**
– Warehouses	**25,754**
Motor vehicles	**4,924**
	91,234

(a) In relation to assets previously held under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$4,924,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$1,925,000 and HK$3,194,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to fair value to reflect the discounting effect at transition. Accordingly, HK$1,380,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

HKFRS 16 Leases *(Continued)*

As a lessor

Lessor accounting under HKFRS 16 is substantially, unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000**
Non-current assets				
Property, plant and equipment	(a)	338,979	(4,924)	**334,055**
Utility and other deposits paid	(b)	10,878	(1,237)	**9,641**
Right-of-use assets		–	91,234	**91,234**
Current assets				
Utility and other deposits paid	(b)	21,004	(143)	**20,861**
Current liabilities				
Lease liabilities		–	43,506	**43,506**
Obligations under finance leases	(a)	1,925	(1,925)	**–**
Non-current liabilities				
Lease liabilities		–	49,750	**49,750**
Obligations under finance leases	(a)	3,194	(3,194)	**–**
Capital and reserves				
Share capital and reserves		407,088	(3,079)	**404,009**
Non-controlling interests		43,174	(128)	**43,046**

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

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[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 HKFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact of the amounts reported and disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

Under HKFRS 15 *Revenue from Contracts with Customers* ("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.

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 *Financial Instruments* ("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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(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.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or debt instruments classified as fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

3. 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.

3. 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.

Leases

<u>Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)</u>

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contact are subsequently changed.

<u>The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)</u>

Allocation of consideration to components of a contract

For a contact that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposit

Refundable rental deposit paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual values guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (prior to 1 January 2019)

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.

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 expenses 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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in Note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

Investments and other financial assets

Financial assets 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 are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets 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 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 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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Classification and subsequent measurement of financial assets

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("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 fair value through profit or loss ("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* ("HKFRS 3") 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(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.

(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

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade, bills and other receivables, loans receivable, amount due from an associate, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(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 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.

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.

3. 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.

Financial liabilities

<u>Initial recognition and measurement</u>

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

<u>Subsequent measurement</u>

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities (Continued)

Subsequent measurement *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

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 bonds, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities (Continued)

Subsequent measurement *(Continued)*

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to an intermediate holding company, senior note and bank and other 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Non-substantial modifications of financial liabilities

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments *(Continued)*

Embedded derivatives

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.

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 statement of profit or loss.

Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Impairment of tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

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

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

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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:

Completion date of disposal of a subsidiary

As disclosed in Note 11, the Group has entered into a sale and purchase agreement to dispose of Shenzhen Qianhai Tempus Value Chain Co., Ltd. (深圳前海騰邦價值鏈有限公司) ("Qianhai Value Chain") on 30 December 2019. The Group determined the completion date of disposal of Qianhai Value Chain based on an evaluation of the terms and conditions of the agreement together with the facts and circumstances existed.

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.

Provision of ECL for trade receivables, other receivables and loans receivable

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.

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

Estimation uncertainty *(Continued)*

Provision of ECL for trade receivables, other receivables and loans receivable (Continued)

The Group measures the allowance for impairment equal to 12-month ECL of other receivables. For those balance expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group determines the provision of impairment of loans receivable 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 42(b)(iii).

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 2019 is HK$33,429,000 (2018: HK$37,995,000) after taking into account the impairment losses of HK$3,674,000 (2018: Nil).

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

Estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of property, plant and equipment and right-of-use assets are HK$324,463,000 and HK$63,828,000, (2018: HK$338,979,000 and Nil) respectively.

5. 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, distribution of consumer products and logistics business 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 business	–	Trading and distribution of consumer products

As disclosed in Note 11, the Group ceased its existing logistics operations upon the partial disposal of the shareholding in Tempus Sky Enterprises Limited ("Tempus sky") and disposal of Shenzhen Qianhai Tempus Value Chain Co., Ltd ("Qianhai Value Chain") during the year ended 31 December 2019 and its existing logistics operations that include "Hong Kong Logistic Business" (see Note 11) and "Value Chain Logistic Business" (see Note 11) were classified as discontinued operations. Comparative figures have been restated to reflect the cessation of the logistics business as discontinued operations, and segment information in this note includes only continuing operations.

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

5. 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 2019

	Continuing operations		
	Sales of health and wellness products business HK$'000	Trading business HK$'000	Total HK$'000
Total segment revenue	448,627	2,150	450,777
Recognised at a point in time	448,627	2,150	450,777
Recognised over time	–	–	–
Inter-segment sales	–	–	–
Segment revenue from external customers	448,627	2,150	450,777
Segment loss	(17,364)	(14,558)	(31,922)
Share of results of associates			(32,633)
Impairment losses on financial assets			(50,207)
Unallocated administrative expenses			(33,852)
Other gains and losses			(30,926)
Bank interest income			549
Interest income on loans receivable			1,413
Finance costs			(49,394)
Loss before tax			(226,972)
Income tax expense			(1,082)
Loss for the year from continuing operations			(228,054)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2018 (restated)

	Continuing operations		
	Sales of health and wellness products business HK$'000	Trading business HK$'000	Total HK$'000
Total segment revenue	404,684	140,348	545,032
Recognised at a point in time	404,684	138,782	543,466
Recognised over time	–	1,566	1,566
Inter-segment sales	–	–	–
Segment revenue from external customers	404,684	140,348	545,032
Segment profit	5,887	5,085	10,972
Share of results of joint ventures			512
Share of results of associates			3,104
Impairment losses on financial assets			(3,187)
Unallocated administrative expenses			(53,525)
Other gains and losses			56,856
Bank interest income			1,754
Interest income on loans receivable			3,604
Finance costs			(57,725)
Loss before tax			(37,635)
Income tax expense			(2,232)
Loss for the year from continuing operations			(39,867)

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

The accounting policies of reportable segments are the same as the Group's significant accounting policies described in Note 3. Segment (loss)/profit represents the pre-tax gross (loss)/profit incurred/generated from each segment without allocation of share of results of joint ventures and associates, 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2019

	Continuing operations		
	Sales of health and wellness products business HK$'000	**Trading business HK$'000**	**Total HK$'000**
Amounts included in the measurement of segment profit or loss:			
Depreciation and amortisation	**48,788**	**1,055**	**49,843**

For the year ended 31 December 2018 (restated)

	Continuing operations		
	Sales of health and wellness products business HK$'000	Trading business HK$'000	Total HK$'000
Amounts included in the measurement of segment profit or loss:			
Depreciation and amortisation	13,710	–	13,710
Loss on write-off of property, plant and equipment	105	–	105
Gain on disposal of property, plant and equipment	143	–	143
Impairment losses on financial assets	–	1,207	1,207

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

5. 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:

	2019 HK$'000	2018 HK$'000 (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Sales of relaxation products	**404,559**	390,033
Sales of fitness products	**34,305**	9,821
Sales of therapeutic, diagnostic and cookware products	**9,763**	4,830
Sales of consumer products	**2,150**	140,348
	450,777	545,032

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.

	Revenue from external customers	
	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Hong Kong	**144,673**	142,429
Macau	**32,304**	25,599
PRC	**217,188**	319,537
Malaysia	**5,837**	8,170
Singapore	**50,775**	49,297
	450,777	545,032

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Geographical information *(Continued)*

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

	Non-current assets	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**338,992**	281,000
Macau	**104**	158
PRC	**53,007**	276,296
Malaysia	**1,506**	292
Singapore	**17,589**	2,000
	411,198	559,746

(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.

6. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
		(restated)
Continuing operations		
Repair income	**1,512**	1,708
Delivery income	**459**	427
Bank interest income	**549**	1,754
Interest income on loans receivable	**1,413**	3,604
Warranty income	**182**	134
Rental income	**2,220**	10,999
Government grant (Note)	**1,765**	2,069
Sundry income	**2,394**	2,188
	10,494	22,883

Note: The amounts recognised for the years ended 31 December 2018 and 2019 represented subsidies from government authority received before years ended 31 December 2018 and 2019, respectively, without any specific conditions attached to the grants.

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Gain on fair value change of derivatives embedded in convertible bonds	**6,895**	15,842
Gain on lapse of conversion option of convertible bonds	**3,200**	–
(Loss)/gain on fair value change of financial assets at fair value through profit or loss	**(22,958)**	6,028
(Loss)/gain on fair value change of investment properties	**(4,980)**	34,150
Gain on disposal of property, plant and equipment	**8,818**	143
Loss on disposal of a subsidiary (Note 38(a))	**(14,461)**	–
(Loss on dissolution)/gain on disposal of an associate	**(1,915)**	2,295
Loss on write-off of property, plant and equipment	**(4)**	(105)
Impairment loss on interest in an associate	**(7,350)**	–
Net exchange gain/(loss)	**1,552**	(1,364)
Others	**277**	(133)
	(30,926)	56,856

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Interest on:		
Bank borrowings	**7,062**	9,513
Other borrowings	**443**	–
Convertible bonds (Note 35)	**36,263**	39,253
Leases	**2,872**	20
Senior note (Note 36)	**2,754**	8,939
	49,394	57,725

9. LOSS BEFORE TAX

	2019 HK$'000	2018 HK$'000 (restated)
Loss before tax has been arrived at after charging/(crediting):		
Continuing operations		
Auditor's remuneration		
– Audit service	**2,100**	2,100
– Other service	**1,585**	2,077
	3,685	4,177
Cost of inventories recognised as an expense	**163,325**	371,827
Impairment losses on inventories	**3,674**	–
Depreciation of property, plant and equipment	**16,767**	12,949
Depreciation of right-of-use assets	**40,098**	–
Short-term leases expenses	**17,629**	–
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from the leased retail shops) (Note)	**42,477**	–
Gross rental income from investment properties	**(2,220)**	(10,999)
Less: Direct operating expenses incurred from investment properties that generated rental income during the year	**23**	1,641
	(2,197)	(9,358)
Operating lease payments in respect of rented premises (included in cost of sales and selling expenses)		
– Minimum lease payments	**–**	53,201
– Contingent rent (Note)	**–**	44,073
Staff costs:		
– Fee, salaries and other benefits (including directors' remuneration)	**112,951**	116,080
– Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**4,948**	9,072
– Share-based payment expenses	**(855)**	2,081
	117,044	127,233

Note: During the year ended 31 December 2018, the variable lease payments not included in the measurement of lease liabilities were included in contingent rent.

9. LOSS BEFORE TAX *(Continued)*

	2019 HK$'000	2018 HK$'000 (restated)
Discontinued operations		
Amortisation of intangible assets	**507**	761
Depreciation of property, plant and equipment	**657**	2,820
Depreciation of right-of-use assets	**15,050**	–
Short-term leases expenses	**3,240**	–
Operating lease payments in respect of rented premises (included in cost of sales and selling expenses)		
– Minimum lease payments	**–**	10,633
Staff costs:		
– Fee, salaries and other benefits (including directors' remuneration)	**21,779**	27,884
– Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**1,130**	1,802
	22,909	29,686

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Current tax expense:		
Hong Kong Profits Tax	**216**	1,285
Macau Complimentary Income Tax	**1,000**	797
Malaysian Corporate Income Tax	**–**	23
PRC Enterprise Income Tax ("EIT")	**–**	2,217
	1,216	4,322
(Over)/under-provision of taxation in prior years:		
Hong Kong Profits Tax	**–**	160
Macau Complimentary Income Tax	**(58)**	–
Malaysian Corporate Income Tax	**(23)**	–
PRC EIT	**(498)**	–
	(579)	160
Deferred tax credit (Note 22)	**–**	(2,250)
Withholding tax on earnings distributed by a subsidiary	**445**	–
	1,082	2,232

10. INCOME TAX EXPENSE *(Continued)*

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 24% 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 before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000 (restated)
Loss before tax (from continuing operations)	**(226,972)**	(37,635)
Tax at PRC EIT Tax rate of 25%	**(56,743)**	(9,408)
Tax effect of income not taxable for tax purposes	**(3,262)**	(6,450)
Tax effect of expenses not deductible for tax purposes	**15,579**	3,996
Tax effect of tax losses and other deductible temporary difference not recognised	**23,875**	11,434
Tax effect of different tax rates on operations in other jurisdictions	**21,767**	2,540
(Over)/underprovision of taxation in prior years	**(579)**	160
Withholding tax on earnings distributed by a subsidiary	**445**	–
Others	**–**	(40)
Income tax expense for the year	**1,082**	2,232

11. DISCONTINUED OPERATION

Partial disposal of Tempus Sky

On 6 August 2019, OTO (BVI) Investment Limited ("Vendor A"), the Company's direct wholly owned subsidiary and an independent third party ("Purchaser A") entered into a sale and purchase agreement pursuant to which Vendor A has conditionally agreed to sell and Purchaser A has conditionally agreed to acquire the 2,000 ordinary shares, representing approximately 14.93% of the entire issued share capital of Tempus Sky, the Company's indirect non-wholly owned subsidiary, for a cash consideration of HK$3,000,000. The consideration was fully settled on 19 August 2019.

Upon the completion of the partial disposal of shareholding in Tempus Sky on 19 August 2019, the equity interest of Tempus Sky held by the Group was diluted from 51.49% to 36.56%. Tempus Sky ceased to be a subsidiary of the Company and has become an associate of the Group.

The principal business and activity of Tempus Sky and its subsidiaries (together "Tempus Sky Group") is provision of logistics services and trading of consumer products in Hong Kong ("Hong Kong Logistic Business"). Upon completion of the partial disposal of shareholding in Tempus Sky Group, the Group ceased to engage in Hong Kong Logistic Business. Accordingly, the operation of Tempus Sky Group was classified as discontinued operation. Details are set out in Note 38(b).

Disposal of entire equity interest in Qianhai Value Chain

On 30 December 2019, SZ Tempus Value Chain ("Vendor B"), a non-wholly owned subsidiary directly held by the Company, and Shenzhen Youxingxin Logistics Co., Ltd.* (深圳市友興昕物流有限公司) (the "Purchaser B"), an independent third party, entered into a sale and purchase agreement, pursuant to which Vendor B has agreed to sell and Purchaser B has agreed to acquire the entire equity interest of Qianhai Value Chain, for a consideration of approximately RMB47,675,000 (equivalent to approximately HK$53,072,000). Details are set out in Note 38(c). The disposal was completed on 30 December 2019.

11. DISCONTINUED OPERATION *(Continued)*

Disposal of entire equity interest in Qianhai Value Chain *(Continued)*

The principal business and activity of Qianhai Value Chain is trading and distribution of consumer products and provision of supply chain services in PRC ("Value Chain Logistic Business"). Upon the completion of the disposal of Qianhai Value Chain, the Group ceased to engage in Value Chain Logistic Business. Accordingly, the operation of Value Chain Logistic Business was classified as discontinued operation.

The (loss)/profit for the year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the result of Hong Kong Logistic Business and Value Chain Logistic Business as discontinued operations.

	Notes	**2019** **HK$'000**	2018 HK$'000
Loss of Hong Kong Logistic Business for the period/year		**(12,224)**	(1,949)
(Loss)/profit of Value Chain Logistic Business for the period/year		**(26,118)**	10,922
Gain on disposal of Tempus Sky Group	38(b)	**8,984**	–
Loss on disposal of Qianhai Value Chain	38(c)	**(24,938)**	–
		(54,296)	8,973

The (loss)/profit for the period/year from discontinued operations

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue		**279,231**	340,899
Cost of sales		**(282,301)**	(300,462)
Gross (loss)/profit		**(3,070)**	40,437
Other income		**113**	174
Other gains and losses		**2,313**	922
Impairment losses on financial assets		**(12,259)**	–
Selling and distribution expenses		**(17,674)**	(22,370)
Administrative expenses		**(7,250)**	(6,279)
Finance costs		**(1,567)**	(649)
(Loss)/profit before tax		**(39,394)**	12,235
Income tax credit/(expense)		**1,052**	(3,262)
(Loss)/profit for the period/year		**(38,342)**	8,973
Net loss on disposal of subsidiaries	38(b) and (c)	**(15,954)**	–
(Loss)/profit for the period/year from discontinued operations		**(54,296)**	8,973

11. DISCONTINUED OPERATION *(Continued)*

The net cash flows incurred by discontinued operations are as follows:

	2019	2018
	HK$'000	HK$'000
Operating activities	**6,220**	4,984
Investing activities	**(853)**	868
Financing activities	**(9,224)**	(2,631)
Net cash (outflow)/inflow	**(3,857)**	3,221

The carrying amounts of the assets and liabilities of Tempus Sky Group and Qianhai Value Chain at the date of disposal are disclosed separately in Note 38.

12. DIRECTORS' EMOLUMENTS

Continuing and discontinued operations

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 2019					
	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Share-based payments	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Li Dongming (Note (i))	–	2,484	–	15	–	2,499
Mr. Huang Jingkai (Note (ii))	–	1,866	–	18	–	1,884
Mr. Yip Chee Lai, Charlie	–	3,145	–	18	–	3,163
Mr. Zhong Yiming (Note (iii))	–	1,137	–	8	–	1,145
Mr. Wang Xingyi (Note (iv))	–	185	–	1	–	186
Mr. Sun Yifei (Note (v))	–	117	–	1	–	118
Independent non-executive directors						
Mr. Han Biao	–	150	–	–	–	150
Mr. Wong Lit Chor, Alexis (Note (vi))	–	79	–	–	–	79
Mr. Li Qi	–	150	–	–	–	150
Mr. Choi Tan Yee (Note (vii))	–	52	–	–	–	52
Mr. Wong Kai Hing (Note (viii))	–	19	–	–	–	19
Non-executive director						
Mr. Zhong Baisheng	–	1,363	–	12	–	1,375
	–	10,747	–	73	–	10,820

12. DIRECTORS' EMOLUMENTS *(Continued)*

Continuing and discontinued operations *(Continued)*

	For the year ended 31 December 2018					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note (ix))	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Li Dongming (Note (i))	–	3,000	358	18	352	3,728
Mr. Huang Jingkai (Note (ii))	–	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 (Note (vi))	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

Notes:

(i) Mr. Li Dongming resigned as executive director of the board of directors of the Company on 17 October 2019.

(ii) Mr. Huang Jingkai resigned as executive director of board of directors of the Company on 6 December 2019.

(iii) Mr. Zhong Yiming was appointed as executive director of the board of directors of the Company on 15 August 2019.

(iv) Mr. Wang Xingyi was appointed as executive director of the board of directors of the Company on 27 November 2019.

(v) Mr. Sun Yifei was appointed as executive director of the board of directors of the Company on 6 December 2019.

(vi) Mr. Wong Lit Chor, Alexis resigned as independent non-executive director of board of directors of the Company on 24 May 2019.

(vii) Mr. Choi Tan Yee was appointed as independent non-executive director of the board of directors of the Company on 24 May 2019 and resigned on 28 August 2019.

(viii) Mr. Wong Kai Hing was appointed as independent non-executive director of the board of directors of the Company on 27 November 2019.

(ix) For the year ended 31 December 2018, 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.

12. DIRECTORS' EMOLUMENTS *(Continued)*

Continuing and discontinued operations *(Continued)*

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. He ceased to be the chief executive of the Company on 15 August 2019.

The emoluments of Mr. Zhong Yiming disclosed above include those for services rendered by him as the chief executive. He was appointed as the chief executive of the Company on 15 August 2019.

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

13. EMPLOYEES' EMOLUMENTS

Continuing and discontinued operations

Of the five individuals with the highest emoluments in the Group, four (2018: three) are the directors of the Group during the year, whose emoluments are included in Note 12 above. The emoluments of remaining one (2018: two) individuals during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Salary and other benefits	**2,169**	4,351
Performance related incentive payments	**–**	143
Retirement benefits scheme contributions	**18**	36
Share-based payments	**–**	179
Total emoluments	**2,187**	4,709

Their emoluments were within the following bands:

	2019	2018
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	1	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

	2019 HK$'000	2018 HK$'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 2019 (2018: Nil).

15. (LOSS)/EARNINGS PER SHARE

Continuing operations

The calculation of the basic and diluted loss per share for continuing operations attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000 (restated)
Loss		
Loss for the year for continuing operations attributable to owners of the Company	(225,976)	(39,869)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	349,311	349,877

Continuing and discontinued operations

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

	2019 HK$'000	2018 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(262,469)	(33,922)

The denominators used are the same as those set out above for the continuing operations.

15. (LOSS)/EARNINGS PER SHARE *(Continued)*

Discontinued operations

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

	2019	2018
	HK$'000	HK$'000
		(restated)
(Loss)/earnings		
(Loss)/profit for the year for discontinued operations attributable to owners of the Company	**(36,493)**	5,947

The denominators used are the same as those set out above for the continuing operations.

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 convertible bonds since their assumed conversion would result in a decrease in loss per share for the year ended 31 December 2019 (2018: an 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 2018	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 18)	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
Adjustments upon application of HKFRS 16	–	–	(6,468)	–	–	(6,468)
At 1 January 2019 (restated)	**308,891**	**24,573**	**3,196**	**52,886**	**18,111**	**407,657**
Additions	**–**	**1,272**	**1,514**	**8,908**	**394**	**12,088**
Disposal of subsidiaries (Note 38)	**–**	**(4,013)**	**(909)**	**(1,838)**	**(131)**	**(6,891)**
Disposals	**(5,341)**	**–**	**(100)**	**–**	**–**	**(5,441)**
Write-off	**–**	**(2,966)**	**–**	**(8,836)**	**(1,929)**	**(13,731)**
Exchange adjustments	**–**	**(132)**	**(37)**	**(461)**	**(314)**	**(944)**
At 31 December 2019	**303,550**	**18,734**	**3,664**	**50,659**	**16,131**	**392,738**
DEPRECIATION						
At 1 January 2018	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
Adjustments upon application of HKFRS 16	–	–	(1,544)	–	–	(1,544)
At 1 January 2019 (restated)	**5,391**	**19,737**	**2,404**	**42,845**	**3,225**	**73,602**
Provided for the year	**6,538**	**1,790**	**245**	**6,864**	**1,987**	**17,424**
Eliminated on disposal of subsidiaries (Note 38)	**–**	**(3,205)**	**(748)**	**(1,031)**	**(85)**	**(5,069)**
Disposals	**(3,359)**	**–**	**(43)**	**–**	**–**	**(3,402)**
Eliminated on write-off	**–**	**(2,966)**	**–**	**(8,832)**	**(1,929)**	**(13,727)**
Exchange adjustments	**–**	**(79)**	**(12)**	**(373)**	**(89)**	**(553)**
At 31 December 2019	**8,570**	**15,277**	**1,846**	**39,473**	**3,109**	**68,275**
CARRYING VALUES						
At 31 December 2019	**294,980**	**3,457**	**1,818**	**11,186**	**13,022**	**324,463**
At 31 December 2018	303,500	4,836	5,716	10,041	14,886	338,979

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 with lease terms of 999 years.

As at 31 December 2018, the carrying value of motor vehicles includes an amount of HK$4,924,000 in respect of assets held under finance leases.

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 date of transfer have been arrived with reference to a valuation carried out on that date by APAC Appraisal and Consulting Limited, an independent qualified professional valuer 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.

The Group's owned leasehold land and buildings was valued on 31 December 2019 by APAC Appraisal and Consulting Limited, an independent qualified professional valuer not connected with the Group, using direct comparison method. The direct comparison method reflects recent transaction prices for similar properties, adjusted unit sale rate, taking into account the location, and individual factors, such as frontage and size. As at 31 December 2019, the fair value of the Group's owned leasehold land and buildings were HK$301,900,000 (2018: HK$310,400,000).

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
Carrying value			
At 1 January 2019	**86,310**	**4,924**	**91,234**
Additions	**70,249**	**306**	**70,555**
Depreciation expense	**(53,819)**	**(1,329)**	**(55,148)**
Disposal of subsidiaries (Note 38(b) and 38(c))	**(38,813)**	**(3,594)**	**(42,407)**
Disposals	**–**	**(40)**	**(40)**
Exchange adjustments	**(366)**	**–**	**(366)**
At 31 December 2019	**63,561**	**267**	**63,828**
Expense relating to short-term leases and other leases with lease term ended within 12 months of the date of initial application of HKFRS 16	20,869	–	20,869
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from leased retail shops)	42,477	–	42,477
Total cash outflow for leases	56,431	1,592	58,023

For both years, the Group lease various offices, warehouses, retail stores and motor vehicles for its operations. Lease contracts are entered into fixed term of 1 month to 6 years. Certain leases of motor vehicles were accounted for as finance leases during the year ended 31 December 2018 and carried interest rates ranged from 1.98% to 3.75% per annum. Lease terms are negotiated on an individual basis and contain a wide range of difference terms and conditions.

As at 31 December 2019, the carrying value of motor vehicles includes an amount of HK$267,000 in respect of assets held under hire-purchase.

18. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At 1 January	**152,700**	354,600
Transferred to property, plant and equipment (Note 16)	**–**	(236,050)
(Decrease)/increase in fair value (included in other gains and losses)	**(4,980)**	34,150
Disposal of a subsidiary (Note 38(a))	**(137,100)**	–
Disposal	**(10,620)**	–
At 31 December	**–**	152,700

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 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, which is a firm of independent professional valuer not connected with the Group, member of the Hong Kong Institute of Surveyors and has 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.

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 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.

18. 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 input(s) to fair value
Commercial properties in Hong Kong of HK$152,700,000	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 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.

There were no transfers into or out of Level 3 for the year ended 31 December 2018.

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.

19. INVESTMENT IN A JOINT VENTURE

	2019 **HK$'000**	2018 HK$'000
Cost of investment, unlisted	**175**	175
Share of post-acquisition losses	**(175)**	(175)
	–	–

19. INVESTMENT IN A JOINT VENTURE *(Continued)*

The following set out the particulars of the joint venture of the Group as at 31 December 2019 and 2018:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2019	2018	**2019**	2018	
TBRJ Asset Management Limited ("TBRJ") (Note)	Cayman Islands	Ordinary shares	**45%**	45%	**33.3%**	33.3%	Provision of asset management and investment advisory services

Note: 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, 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 as disclosed in Note 21. 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.

Aggregate information of joint venture that is not individually material:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**–**	–
Aggregate amount of the Group's share on that joint venture's profit from operations	**–**	512
Other comprehensive income	**–**	–
Total comprehensive income	**–**	512

20. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments, unlisted	57,470	52,798
Share of post-acquisition losses	(32,839)	(551)
Exchange adjustments	(2,826)	–
	21,805	52,247
Less: Provision for impairment (Note (e))	(7,350)	–
	14,455	52,247

The following set out the particulars of the associates of the Group as at 31 December 2019 and 2018:

Name of associate	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2019	2018	2019	2018	
煙台騰邦股權投資管理有限公司 ("Yantai Tengbang") (Note (a))	PRC	Paid-up capital	40%	40%	40%	40%	Provision of asset management and investment advisory services
煙台樂騰股權投資管理中心(有限合夥) ("Yantai Leteng LP") (Note (b))	PRC	Paid-up capital	33.0%	33.3%	33.0%	33.3%	Investment holding
廣東數程科技有限公司 ("廣東數程") (Note (c))	PRC	Paid-up capital	14.3%	14.3%	14.3%	14.3%	Inactive
深圳市按爽智能設備有限公司("按爽智能") (Note (d))	PRC	Paid-up capital	–	20%	–	20%	Inactive
Tempus Sky (Note (e), 38(b))	Hong Kong	Ordinary shares	36.6%	–	36.6%	–	Investment holding, provision of logistics services and general trading
Art Of Wine Cellars Company Limited (Note 38(b))	Hong Kong	Ordinary shares	–	40%	–	40%	Inactive

20. INVESTMENTS IN ASSOCIATES *(Continued)*

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.

(b) On 29 November 2017, 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 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) and one of the shareholders of Yantai Leteng LP, each contributed RMB30,000,000 (equivalent to HK$36,023,000) to Yantai Leteng LP during the year ended 31 December 2017. 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 was 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 was outstanding from a shareholder, therefore the Group shared 50% of the net assets of Yantai Leteng LP, which was 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 to 33.3%. Therefore, Yantai Leteng LP is account for an associate of the Group.

During the year ended 31 December 2019, Yantai Tengbang contributed RMB1,000,000 to Yantai Leteng LP, resulting in further dilution of the Group's share of net assets of Yantai Leteng LP from 33.3% to 33%.

(c) 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. 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 and 2019. As at 31 December 2018 and 2019, 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 and 2019.

(d) On 10 April 2018, Shenzhen Tempus entered into a shareholders' agreement with two independent third parties for the establishment of 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 as at 31 December 2018. During the year ended 31 December 2019, 按爽智能 was deregistered, net cash received upon deregistration of the associate amounting to HK$77,000 and a loss on write-off of an associate of HK$1,915,000 was recognised in other gains and losses (Note 7).

(e) As disclosed in Note 11, upon the loss of control of Tempus Sky, the equity interest of Tempus Sky held by the Group was diluted from 51.49% to 36.56%. Tempus Sky became an associate of the Group since 19 August 2019. As at 31 December 2019, the management reviewed the recoverable amount of the interest in an associate after taking into account of the financial performance and financial position of the associate and the poor business outlook of the associate in 2020. The directors of the Company estimated that there was a significant decline in the present value of the estimated future cash inflow comprising expected dividend income from the associate and expected ultimate disposal. Based on the assessment, the recoverable amount of the Group's interest in an associate was lower than the carrying amount and an impairment loss of HK$7,350,000 was recognised during the year ended 31 December 2019.

20. 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:

	As at 31 December	
	2019	2018
Yantai Leteng LP	**HK$'000**	HK$'000
Gross amounts of the associate's		
Current assets	**1,341**	2,256
Non-current assets	**6,651**	100,012
Current liabilities	**(2)**	–
Non-current liabilities	**–**	–
Equity	**7,990**	102,268
Revenue	**–**	–
Loss and total comprehensive loss	**(93,422)**	(297)
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	**7,989**	102,268
The Group's effective interest	**33.0%**	33.3%
The Group's share of net assets of the associate	**2,636**	34,055
The Group's share of results of the associate for the year	**(30,801)**	(99)

	As at 31 December	
	2019	2018
廣東數程	**HK$'000**	HK$'000
Gross amounts of the associate's		
Current assets	**72,837**	85,876
Non-current assets	**66**	–
Current liabilities	**(1,529)**	(1,139)
Non-current liabilities	**–**	–
Equity	**71,374**	84,737
Revenue	**–**	–
Loss and total comprehensive loss	**(11,791)**	(3,990)
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	**71,374**	84,737
The Group's effective interest	**14.3%**	14.3%
The Group's share of net assets of the associate	**10,199**	12,117
The Group's share of results of the associate for the year	**(1,685)**	(570)

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**1,621**	4,236
Aggregate amount of the Group's share on those associates' (loss)/profit from operations	**(147)**	120
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(147)**	120

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	2019	2018
	HK$'000	HK$'000
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted investments:		
– Equity interest in TBRJ Fund (Note (a))	**10,120**	30,768
– Equity interest in 重慶格洛博電子商務有限公司 ("格洛博") (Note (b))	**12,852**	14,993
	22,972	45,761

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) 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 a financial asset at fair value through profit or loss of the Group.

(b) 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 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.

22. 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 2018	5,541	1,253	(7,791)	(997)
(Charge)/credit to profit or loss (Note 10)	(5,541)	–	7,791	2,250
At 31 December 2018, 1 January 2019 and 31 December 2019	–	1,253	–	**1,253**

As at 31 December 2019, the Group has unused tax losses of HK$238,520,000 (2018: HK$148,283,000) 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$238,520,000 as at 31 December 2019 may be carried forward indefinitely.

Under the Law of PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At the end of the reporting period, the temporary difference associated with undistributed earnings of the PRC subsidiaries for which deferred tax liability has not been recognised is HK$113,857,000 (2018: HK$143,104,000). 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.

23. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2018, 31 December 2018 and 1 January 2019	3,807
Disposal of subsidiaries (Note 38(b))	(3,807)
At 31 December 2019	**–**
AMORTISATION	
At 1 January 2018	761
Charge for the year	761
At 31 December 2018	1,522
Charge for the year	507
Eliminated on disposal of subsidiaries (Note 38(b))	(2,029)
At 31 December 2019	**–**
CARRYING VALUES	
At 31 December 2019	**–**
At 31 December 2018	2,285

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

24. GOODWILL

	HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	2,657
Disposal of subsidiaries (Note 38(b))	(2,657)
At 31 December 2019	**–**

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

24. GOODWILL *(Continued)*

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%. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

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

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

Utility and other deposits paid include rental deposits and other deposits. Those which are not expected to be realised within twelve months from the end of the reporting period are classified as non-current assets.

Bank balances carry floating average market interest at rates ranging from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum and fixed interest at rates ranging from 0.30% to 1.45% (2018: 0.30% to 1.45%) per annum.

As at 31 December 2018, pledged bank deposits carry interest at rates ranging from 0.13% to 0.25% per annum. Deposits amounting to HK$9,119,000 have been pledged to secure short-term bank loans and trust receipt loans and therefore classified as current assets. The loans were fully settled during the year ended 31 December 2019.

As at 31 December 2019, pledged bank time deposits with maturity date within 12 months from the end of the reporting period carry interest at rates ranging from 1.2% to 2.8% per annum. Bank deposits amounting to HK$3,404,000 have been pledged to secure financial guarantee for rental deposits and therefore classified as current assets.

26. INVENTORIES

All inventories represent finished goods held for resale.

During the year, HK$3,674,000 was recognised as an expense for written down inventories to net realisable value.

27. TRADE, BILLS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**87,583**	158,160
Bills receivable	**3,301**	7,873
Prepayments (Note (b))	**17,140**	49,053
Other receivables, net of ECL (Note (c))	**36,454**	69,929
	144,478	285,015

Notes:

(a) Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 and 2019 are set out in Note 42(b)(iii).

(b) As at 31 December 2019, prepayments mainly represent prepayments to suppliers amounting to HK$8,032,000 (2018: HK$34,716,000).

(c) As at 31 December 2019, other receivables included the receivable arising from disposal of a subsidiary (Note 11 and 38) amounting to RMB7,320,000 (approximately HK$8,158,000) (net of ECL), a refundable security deposit placed to convertible bonds subscriber upon the default of convertible bonds amounting to HK$11,145,000 and the remaining balance arising from disposal of an associate on 28 December 2018 (the "Consideration Receivable"), amounting to RMB3,850,000 (approximately HK$4,291,000).

As at 31 December 2018, other receivables included the remaining balance of the Consideration Receivable of RMB38,510,000 (approximately HK$43,851,000).

During the year ended 31 December 2019, part of the Consideration Receivable of RMB18,700,000 (approximately HK$21,257,000) was received by the Group and the Group recognised impairment losses on the Consideration Receivable of RMB15,960,000 (approximately HK$17,786,000) included in impairment losses on financial assets in profit or loss. The remaining balance of the Consideration Receivable of RMB3,850,000 (approximately HK$4,291,000) was fully settled in January 2020.

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:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**65,453**	123,241
31 – 60 days	**11,729**	21,373
61 – 90 days	**4,719**	7,773
Over 90 days	**5,682**	5,773
	87,583	158,160

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

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 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$32,297,000 (2018: HK$42,725,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period.

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

	2019 **HK$'000**	2018 HK$'000
1 – 30 days	**21,803**	18,385
31 – 60 days	**4,027**	15,185
61 – 90 days	**1,156**	5,392
Over 90 days	**5,311**	3,763
	32,297	42,725

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 original maturity period of 180 days and the aged analysis based on sales invoice dates are as follows:

	2019 **HK$'000**	2018 HK$'000
0 – 30 days	**595**	1,050
31 – 60 days	**509**	673
61 – 90 days	**–**	1,822
Over 90 days	**2,197**	4,328
	3,301	7,873

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

28. LOANS RECEIVABLE

(a) Pursuant to an agreement dated 29 June 2017 entered into by the Group and an independent third party, the Group has provided to the independent third party a revolving loan of HK$30,000,000 which carries interest at 10% per annum, guaranteed by the shareholder and a related party of the borrower, and with an original maturity of three months, which can be revolved at a maximum of three times 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, the carrying amount of the loans receivable is HK$28,020,000 and the 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.

During the year ended 31 December 2019, the borrower has partially repaid HK$900,000 of the principal. The borrower and the guarantor failed to repay the interest and principal according to the agreement. Full impairment allowance of HK$29,100,000 for the loan receivable was provided based on the financial position of the guarantor and the borrower and the economic environment the guarantor and the borrower operate. As a results, additional impairment allowance amounting to HK$27,120,000 included in impairment losses on financial assets was recognised in the profit or loss for the year ended 31 December 2019.

(b) 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.

(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.

29. AMOUNTS DUE FROM/TO AN ASSOCIATE/AN INTERMEDIATE HOLDING COMPANY/AN IMMEDIATE HOLDING COMPANY

	2019 HK$'000	2018 HK$'000
Amount due from:		
An associate		
Tempus Sky	**5,300**	–
Less: Provision for ECL	**(5,300)**	–
	–	–
Amount due to:		
An intermediate holding company		
Current	**–**	1,355
An immediate holding company		
Current	**600**	–

Details of impairment assessment of amount due from an associate for the year ended 31 December 2019 are set out in Note 42(b)(iii).

As at 31 December 2019, the amount due to an immediate holding company is unsecured, interest-free and repayable on demand.

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

30. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**51,435**	59,914
Receipts in advance	**2,500**	2,250
Accruals	**13,234**	17,824
Others	**19,565**	19,748
	86,734	99,736

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	**37,840**	39,064
31 – 60 days	**11,861**	9,380
61 – 90 days	**641**	4,119
Over 90 days	**1,093**	7,351
	51,435	59,914

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

31. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Sales of health and wellness products	**11,628**	15,129
Trading and logistics	**–**	5,217
	11,628	20,346

Movement of contract liabilities

	2019 HK$'000	2018 HK$'000
At 1 January	**20,346**	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 year	**(20,346)**	(10,894)
Increase in contract liabilities as a result of receiving deposit for trading of goods	**11,628**	15,129
Increase in contract liabilities as a result of billing in advance for provision of logistics services	**–**	5,217
At 31 December	**11,628**	20,346

32. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**38,829**
Within a period of more than one year but not more than two years	**19,603**
Within a period of more than two years but not more than five years	**7,790**
Within a period of more than five years	**97**
	66,319
Less: Amounts due for settlement within 12 months shown under current liabilities	**(38,829)**
Amounts due for settlement after 12 months shown under non-current liabilities	**27,490**

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Amounts payable under finance leases:		
Within one year	2,163	1,925
In more than one year but not more than five years	3,394	3,194
Less: Future finance charges	(438)	N/A
Present value of lease obligations	5,119	5,119
Less: Amounts due for settlement within 12 months shown under current liabilities		(1,925)
Amounts due for settlement after 12 months shown under non-current liabilities		3,194

The Group has leased motor vehicles under finance leases. The lease terms were from three to five years. The average effective borrowing rate for the year ended 31 December 2018 was 2.93% per annum.

Interest rate was fixed and ranged from 1.98% to 3.75% on the contract date. The leases were on a fixed repayment basis and no arrangements have been entered into for contingent payments.

All finance lease obligations are denominated in HK$.

34. BANK AND OTHER BORROWINGS

	2019	2018
	HK$'000	HK$'000
Secured trust receipt loans	**–**	6,889
Secured bank loans	**183,656**	285,807
Bank overdraft	**–**	1,029
	183,656	293,725
Other borrowings	**21,700**	–
	205,356	293,725
Carrying amounts of the above borrowings that are repayable:		
On demand and within one year	**133,200**	121,020
In more than one year but not more than two years	**–**	94,093
In more than two years but not more than five years	**–**	14,813
More than five years	**–**	53,640
	133,200	283,566
Carrying amount of bank and other borrowings that contains 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	**2,990**	10,159
In more than one year but not more than two years	**3,112**	–
In more than two years but not more than five years	**17,572**	–
More than five years	**48,482**	–
	72,156	10,159
	205,356	293,725
Less: Amounts due within one year shown under current liabilities	**(205,356)**	(131,179)
Amounts shown under non-current liabilities	**–**	162,546

The Group's convertible bonds together with interest payable amounting to approximately HK$171 million as at 31 December 2019 are repayable on demand since the Group and its guarantor failed to settle the principal and interest on the maturity date (which was 30 May 2019), as disclosed in Note 35, this event constituted events of default under certain bank borrowings. As a consequence, bank borrowings with carrying amount of approximately HK$72,156,000 as at 31 December 2019, of which the bank may on and at any time after the occurrence of the event of default continuing by notice in writing to the Group declare that the borrowings has become immediately due and payable, were classified as current liabilities. No action has been taken by the bank and no remedies in respect of the cross-defaults have been agreed with the bank up to the date when the consolidated financial statements are authorised for issue.

34. BANK AND OTHER BORROWINGS *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Fixed rate:		
– 8%	**21,700**	–
Variable rates:		
– 1.3% to 1.5% over 1 month Hong Kong Interbank Offered Rate ("HIBOR")	**183,656**	284,595
– London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.25%	**–**	6,889
– 1% over HK$ prime rate	**–**	2,200
– 1% below HK$ prime rate	**–**	41
	205,356	293,725

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

	2019	2018
Fixed rate borrowings	**8%**	–
Variable rate borrowings	**3.28% – 3.66%**	2.24% – 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:

	2019	2018
	HK$'000	HK$'000
Denominated in US$	**–**	6,889

35. 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 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.

35. CONVERTIBLE BONDS *(Continued)*

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

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
At 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 and 31 December 2019	–	–	–

Convertible bonds issued on 1 June 2018 ("CB 2018A")

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 subscribe 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 was issued to the Subscriber on 1 June 2018 and would 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 conversion option lapsed upon maturity of convertible bonds on 30 May 2019.

The CB 2018A would 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 contains 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.

35. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued on 1 June 2018 ("CB 2018A") *(Continued)*

According to the Company's announcement dated 11 June 2019, pursuant to the terms and conditions (the "Conditions") in the instruments of the convertible bonds, it is an event of default ("EOD") if, among others, Tempus Group Co., Ltd.* (騰邦集團有限公司) ("Tempus Group") fails to make any payment in respect of any financial indebtedness in an amount exceeding HK$30,000,000 (or its equivalent in another currency or currencies) on the due date for payment as extended by any originally applicable grace period. In case of an EOD, the convertible bonds will immediately become due and repayable upon notice of an EOD being given to the Company and additional interest will accrue on the outstanding principal amount of the convertible bonds from the date of the occurrence of an EOD to the date of actual payment at an internal rate of return of 18% per annum. Due to Tempus Group's default on the corporate bonds on 25 May 2019, the board of directors of the Company considers that it has technically triggered an EOD under the Conditions.

Further, the Group and its guarantor failed to fully settle the principal amount outstanding of HK$162,752,000 together with accrued interest of HK$5,600,000 of CB 2018A on 30 May 2019. The interest accrued by the Group after default amounting to HK$14,992,000. The Group partially settled HK$47,892,000 after the maturity date of CB 2018A. As at 31 December 2019, the principal amount outstanding together with accrued interest of CB 2018A amounted to HK$135,452,000.

Convertible bonds issued on 16 October 2018 ("CB 2018B")

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 subscribe 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 was issued to the Subscriber on 16 October 2018 and would 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 conversion option lapsed upon maturity of convertible bonds on 14 October 2019.

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

35. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued 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.

Due to the occurrence of EOD mentioned in CB 2018A, CB 2018B immediately become due and repayable upon notice of repayment being given to the Company and additional interest will accrue on the outstanding principal amount of the CB 2018B from the date of the occurrence of an EOD to the date of actual payment at an internal rate of return of 18% per annum on the principal amount outstanding under CB 2018B.

Further, the Group and its guarantor failed to fully settle the principal amount outstanding of HK$30,516,000 together with accrued interest of HK$1,312,000 of CB 2018B on 30 May 2019. The interest accrued by the Group after default amounting to HK$3,224,000. As at 31 December 2019, the principal amount outstanding together with accrued interest of CB 2018B amounted to HK$35,052,000.

Up to the date when the consolidated financial statements are authorised for issue, the Company is still in discussion with the Subscriber as to the redemption schedule of CB 2018A and CB 2018B.

35. CONVERTIBLE BONDS *(Continued)*

Convertible bonds issued on 16 October 2018 ("CB 2018B") *(Continued)*

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%

During the year ended 31 December 2019, the derivatives embedded in the convertible bonds were lapsed upon maturity of CB 2018A and CB 2018B.

The movement of the debt and derivative components of CB 2018A and CB 2018B for the current year 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)
At 31 December 2018	182,133	10,095	192,228
Interest charged	**36,263**	**–**	**36,263**
Interest paid	**(9,892)**	**–**	**(9,892)**
Redemption of convertible bonds	**(38,000)**	**–**	**(38,000)**
Change in fair value	**–**	**(6,895)**	**(6,895)**
Lapse of conversion options	**–**	**(3,200)**	**(3,200)**
A 31 December 2019	**170,504**	**–**	**170,504**

36. SENIOR NOTE

	2019 HK$'000	2018 HK$'000
At 1 January	**50,645**	100,451
Interest charged during the year	**2,754**	9,194
Interest paid during the year	**(3,399)**	(9,000)
Repayment of senior note	**(50,000)**	(50,000)
At 31 December	**–**	50,645

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 has been fully repaid during the year ended 31 December 2019.

37. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid		
At 1 January 2018, 31 December 2018 and 1 January 2019	349,876,800	3,498,768
Share repurchased and cancellation	(616,000)	(6,160)
At 31 December 2019	349,260,800	3,492,608

	2019 HK$'000	2018 HK$'000
Presented as	**27,231**	27,279

37. SHARE CAPITAL *(Continued)*

During the year ended 31 December 2019, the Company repurchased a total of 616,000 ordinary shares of the Company at an aggregate purchase price of approximately HK$680,000 on the Stock Exchange. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these ordinary shares of US$6,160 (equivalent to approximately HK$48,000). The premium paid on the repurchase of the ordinary shares of HK$632,000 was charged to share premium directly.

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of entire equity interest in KK II (BVI) Limited

On 29 May 2019, Tempus (BVI) Properties Investment Limited ("Vendor C"), a wholly-owned subsidiary of the Company, Talent Realty Limited (the "Purchaser C"), an independent third party, and the Company (the "Guarantor") entered into a provisional sale and purchase agreement, pursuant to which Vendor C agreed to sell and Purchaser C agreed to purchase the entire issued share capital of KK II (BVI) Limited (the "Target Company"), and all such sum of money due and owing by the Target Company to the Vendor C as at completion of the transaction, for a cash consideration of HK$121,593,000. The Target Company is engaged in the business of property investment. The deposit of HK$20,000,000 has been paid by Purchaser C upon the signing of the provisional sale and purchase agreement; and the balance of the consideration, being HK$7,856,000 and HK$93,737,000, was paid by Purchaser C to the Group and to settle the bank borrowings of the Group respectively at completion date. The disposal was completed on 23 July 2019.

As at the disposal date, the collective carrying amount of net assets disposed of amounted to HK$136,054,000, mainly representing investment properties of HK$137,100,000, other receivables of HK$90,000, tax payable of HK$765,000 and deferred tax liabilities of HK$371,000. The net loss on disposal of the Target Company was HK$14,461,000 (Note 7). The net cash inflow arising on disposal of the Target Company was HK$27,856,000.

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Partial disposal of shareholding in Tempus Sky Group

As disclosed in Note 11, the Group completed the disposal of 14.93% equity interest of Tempus Sky on 19 August 2019. Tempus Sky ceased to be a subsidiary of the Company and had became an associate of the Company upon the completion of the disposal. The consideration and net assets of Tempus Sky Group at the date of disposal were as follows:

	HK$'000
Consideration	
Cash	3,000
Analysis of assets and liabilities disposed	
Property, plant and equipment	1,725
Right-of-use assets	38,702
Investment in an associate	400
Intangible assets (Note 23)	1,778
Trade and other receivables	16,680
Amount due from a fellow subsidiary	1,482
Tax recoverable	230
Bank balances and cash	241
Trade and other payables	(12,933)
Amount due to an associate	(327)
Amount due to the Group (Note)	(5,300)
Amount due to a director of Tempus Sky	(2,287)
Lease liabilities	(39,599)
Bank overdrafts	(3,348)
Net liabilities disposed of	(2,556)
Release of non-controlling interests	1,265
Goodwill (Note 24)	2,657
Fair value of retained interest (Note 20)	(7,350)
	(5,984)
Gain on disposal (Note 11)	8,984
Total consideration	3,000
Net cash inflow arising on disposal	
Cash consideration received	3,000
Less: bank balances and cash disposed of	(241)
	2,759

Note: The amount is included in amount due to an associate after the disposal of Tempus Sky and was fully impaired as at 31 December 2019.

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of entire equity interest in Qianhai Value Chain

As disclosed in Note 11, the Group completed the disposal of entire equity interest of Qianhai Value Chain on 30 December 2019. The consideration and net assets of Qianhai Value Chain at the date of disposal were as follows:

	HK$'000
Consideration	
Cash consideration (Note)	17,811
Waiver of a loan payable due from the Group by Purchaser B	6,679
Assignment of a loan due from the Group to Qianhai Value Chain to Purchaser B	28,582
	53,072
Analysis of assets and liabilities disposed	
Property, plant and equipment	97
Right-of-use assets	3,705
Trade and other receivables	81,240
Deposits	974
Tax recoverable	613
Loan due from the Group	28,582
Bank balances and cash	4,394
Amount due to the Group	(2,806)
Trade and other payables	(39,821)
Lease liabilities	(3,873)
Net assets disposed of	73,105
Release of translation reserve	4,905
	78,010
Loss on disposal (Note 11)	(24,938)
Total consideration	53,072
Net cash inflow arising on disposal	
Cash consideration received	4,453
Less: bank balances and cash disposed of	(4,394)
	59

Note: According to the sale and purchase agreement, the Purchaser B agreed to settle RMB4,000,000 (equivalent to approximately HK$4,453,000) on 31 December 2019. The remaining of the consideration amounting to RMB12,000,000 (equivalent to approximately HK$13,358,000) will be satisfied by cash payment by three instalments, RMB2,000,000 (equivalent to approximately HK$2,226,000) shall be paid on the day after the registration at the Administrative for Industry and Commerce in the PRC in respect of the transfer of entire equity interest of the Qianhai Value Chain, RMB5,000,000 (equivalent to approximately HK$5,566,000) shall be settled on or before 29 February 2020 and RMB5,000,000 (equivalent to approximately HK$5,566,000) shall be settled on or before 31 May 2020. Up to the date when the consolidated financial statements are authorised for issue, RMB11,000,000 (equivalent to approximately HK$12,245,000) of the cash consideration was received by the Group.

39. 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:

	2019 HK$'000	2018 HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**294,980**	238,113
Investment properties	**–**	152,700
Pledged bank deposits	**3,404**	9,119
	298,384	399,932

In addition, as at 31 December 2018 and 2019, respectively, the Group's obligations under finance leases/lease liabilities are secured by the lessor's charge over the leased assets with carrying values as disclosed in Note 16 and 17 respectively.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, no properties were let out under operating leases (2018: 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:

	2019 HK$'000	2018 HK$'000
Within one year	**–**	2,159
In the second to fifth years inclusive	**–**	112
	–	2,271

As at 31 December 2018, lease was negotiated and rental was fixed for a term of one to three years.

40. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee

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

	2019	2018
	HK$'000	HK$'000
Within one year	–	48,803
In the second to fifth years inclusive	–	42,682
	–	91,485

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 3, and the details regarding the Group's future lease payments are disclosed in Note 32.

41. 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.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised cost	**221,862**	392,278
FVTPL	**22,972**	45,761
Financial liabilities		
Liabilities at amortised cost	**447,460**	611,614
Derivatives	**–**	10,095

(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 and bank balances and cash, and the Group's foreign currency monetary liabilities are mainly trade payables (2018: trade payables and bank borrowings).

42. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**902**	7,592	**14,978**	15,700
HK$	**8,329**	8,190	**–**	–
Renminbi ("RMB")	**5,004**	8,408	**–**	–

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% (2018: 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% (2018: 10%) change in foreign currency rates. The following table indicates the impact to the profit/loss after tax where HK$ strengthens 10% (2018: 10%) against the respective foreign currencies. For a 10% (2018: 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$'000**
2019		
If HK$ weakens against RMB	**10**	**375**
If HK$ strengthens against RMB	**(10)**	**(375)**
2018		
If HK$ weakens against RMB	10	630
If HK$ strengthens against RMB	(10)	(630)

42. 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 25), interest-free amount due to an intermediate holding company (Note 29), interest-free amount due from an associate (Note 29), interest-free amount due to an immediate holding company (Note 29), fixed-rate obligations under lease liabilities (Note 32), finance leases (Note 33), fixed rate other borrowings (Note 34), convertible bonds (Note 35) and senior note (Note 36). 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 (Note 25) and variable-rate bank borrowings (Note 34). 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 HIBOR (2018: 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 (2018: 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 (2018: 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 2019 would decrease or increase by approximately HK$857,000 (2018: decrease or increase by approximately HK$1,226,000).

42. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk

As at 31 December 2019, 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, amount due from an associate and bank balances.

The Group has concentration of credit risk as 50% (2018: 30%) 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 from sales of health and wellness products business 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 from sales of health and wellness products business is assessed to be closed to zero and no provision was made as at 31 December 2019 and 2018.

The Group writes off a trade receivable from trading business 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. As at 31 December 2019, the Group had no trade receivables from trading business. The Group has written off a trade receivable from trading business amounting to HK$1,207,000 for the year ended 31 December 2018.

As at 31 December 2019, the Group has concentration risk as 65% (2018: 77%) of total other receivables (net amount) representing amounts due from the Purchaser of Qianhai Value Chain and the security deposit placed to convertible bonds subscriber (Note 27(c)). Allowance for impairment amounting to HK$30,045,000 (2018: Nil) was made for other receivables based on the counterparties' financial background and creditability.

42. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk (Continued)

Movement in the allowance for impairment in respect of other receivables during the year is as follows:

	Not credit impaired HK$'000	Credit impaired HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–
Impairment losses	5,216	24,829
At 31 December 2019	**5,216**	**24,829**

As at 31 December 2019 and 2018, the Group has concentration of credit risk on loans receivable from one counterparty. As part of the Group's credit risk management, the Group assessed the ECL for each of the loans receivable individually. During the year ended 31 December 2019, impairment allowance for the loans receivable amounting to HK$27,120,000 (2018: HK$1,980,000) was recognised in profit or loss since the management of the Group considers the probability of default is significant based on the financial position of the guarantor and the borrower and the economic environment the guarantor and the borrower operate.

Movement in the allowance for impairment in respect of loans receivable during the year is as follows:

	Not credit impaired HK$'000	Credit impaired HK$'000
At 1 January 2018	–	–
Impairment losses	1,980	–
At 31 December 2018 and 1 January 2019	**1,980**	**–**
Transfer to credit impaired due to increase in credit risk	**(1,980)**	**1,980**
Impairment losses	**–**	**27,120**
At 31 December 2019	**–**	**29,100**

Allowance for impairment amounting to HK$5,300,000 was recognised for amount due from an associate based on the associate's financial background and creditability.

42. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk (Continued)

The credit risk on 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.

(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

As at 31 December 2018, 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 for the year would decrease by HK$1,697,000/increase by HK$1,186,000, 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 for the year would decrease by HK$1,287,000/increase by HK$750,000, 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.

42. FINANCIAL INSTRUMENTS *(Continued)*

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

(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 2019, the Group has available unutilised overdraft and short-term bank loan facilities of HK$nil (2018: HK$2,381,000) and HK$nil (2018: HK$37,770,000) respectively. Details of which are set out in Note 34.

Convertible bonds which are already defaulted as at 31 December 2019 are included in the repayable on demand or less than 3-month time band in the maturity analysis below. The directors of the Company believe that the Group would be able to negotiate with the Subscriber for the extension for repayment for the convertible bonds.

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 and lease liabilities is prepared based on the scheduled repayment dates:

	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 2019						
Financial liabilities at amortised cost						
Trade and other payables	–	71,000	–	–	71,000	71,000
Amount due to an immediate holding company	–	600	–	–	600	600
Bank and other borrowings	3.3	209,796	–	–	209,796	205,356
Convertible bonds (Note)	22.1	170,504	–	–	170,504	170,504
Liabilities at amortised cost						
Lease liabilities	4.8	11,398	30,061	28,860	70,319	66,319
		463,298	30,061	28,860	522,219	513,779

Note: After default of the convertible bonds, additional interest will accrue on the outstanding principal amount of the convertible bonds from the date of the occurrence of an EOD to the date of actual payment at an internal rate of return of 18% per annum.

42. 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 2018						
Financial liabilities at amortised cost						
Trade and other payables	–	79,662	–	–	79,662	79,662
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
		145,726	327,824	184,217	657,767	622,734

As at 31 December 2019 and 2018, 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$72,156,000 (2018: HK$10,159,000). 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:

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 2019	1,456	4,369	28,158	65,540	99,523	72,156
31 December 2018	10,250	–	–	–	10,250	10,159

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.

42. FINANCIAL INSTRUMENTS *(Continued)*

(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.

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.

42. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements *(Continued)*

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

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2019	2018			
	HK$'000	HK$'000			
Financial assets at FVTPL (Unlisted equity securities)	**22,972**	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 26 to 35 percent (2018: 14 to 43 percent). Weighted average cost of capital "(WACC"), ranging from 14 to 20 percent (2018: 14 to 17 percent).
Derivative components in relation to the convertible bonds	**–**	10,095	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.

42. 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 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 change recognised in profit or loss	**(22,958)**	**(6,895)**
Lapse of conversion option	**–**	**(3,200)**
Exchange adjustments	**169**	**–**
At 31 December 2019	**22,972**	**–**

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.

43. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in Notes 12 and 29, during the year the Group entered into following transactions with related parties:

Related parties	Nature of transaction	**2019** **HK$'000**	2018 HK$'000
Fellow subsidiaries	Rental income	–	(6,889)
	Logistics service income	–	(2,865)

The balances of amounts due from/to an associate/an immediate/an intermediate holding company are disclosed in the consolidated statement of financial position and in Note 29.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in Note 12.

44. 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.

44. RETIREMENT BENEFIT SCHEME *(Continued)*

The employees employed in Singapore are members of the state-managed retirement benefit plan, the Central Provident Fund Board, 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 2019 and 2018, the Group had no other significant obligation apart from the contribution as stated above.

45. 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 participants 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 including members of the senior management and employees of the Company to subscribe for shares in the Company at HK$2.13 per share.

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

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,399,000 (2018: 60,106,000), representing approximately 8.4% (2018: 17.2%) of the shares of the Company in issue at that date.

45. SHARE-BASED PAYMENTS *(Continued)*

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 24 May 2019 (the "2019 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 2019 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 34,926,080 shares. For details, please refer to the Company's circular dated 24 April 2019 and the Company's announcement dated 24 May 2019.

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 share 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		

45. 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 2018	Granted during the year	Lapsed during the year	Outstanding at 31 December 2018 and 1 January 2019	Expired during the year	Lapsed during the year	Outstanding at 31 December 2019
31 August 2015	HK$3.38	4,450,000	–	(250,000)	**4,200,000**	**(4,200,000)**	**–**	**–**
26 January 2017	HK$1.84	21,920,000	–	(200,000)	**21,720,000**	**–**	**(9,320,000)**	**12,400,000**
16 April 2018	HK$2.13	–	34,986,000	(800,000)	**34,186,000**	**–**	**(17,187,000)**	**16,999,000**
		26,370,000	34,986,000	(1,250,000)	**60,106,000**	**(4,200,000)**	**(26,507,000)**	**29,399,000**
Exercisable at the end of the year		2,192,000	–	–	**3,418,600**	**–**	**–**	**2,399,900**
Weighted average exercise price		HK$2.10	HK$2.13	HK$2.33	**HK$2.11**	**HK$3.38**	**HK$2.03**	**HK$2.01**

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

	2018
Share price on the date of grant	HK$2.04
Exercise price	HK$2.13
Expected volatility	76.67%
Contractual life	4 years
Risk-free rate	1.77%
Expected dividend yield	0.69%

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 reversal of remuneration expenses of HK$855,000 (2018: a charge of HK$2,081,000) in the staff costs for the year ended 31 December 2019 in relation to share options granted by the Company.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**2,996**	3,471
Investments in subsidiaries	**342,668**	414,746
	345,664	418,217
Current assets		
Prepayments and other receivables	**11,567**	9,361
Amounts due from subsidiaries	**173,031**	448,011
Bank balances and cash	**7,935**	2,660
	192,533	460,032
Current liabilities		
Other payables and accrued expenses	**3,420**	4,557
Amounts due to subsidiaries	**64,626**	69,148
Bank and other borrowings	**205,356**	121,020
Convertible bonds	**170,504**	192,228
Senior note	**–**	50,645
	443,906	437,598
Net current (liabilities)/assets	**(251,373)**	22,434
Total assets less current liabilities	**94,291**	440,651
Non-current liabilities		
Bank borrowings	**–**	162,546
	–	162,546
Net assets	**94,291**	278,105
Capital and reserves		
Share capital	**27,231**	27,279
Reserves	**67,060**	250,826
Total equity	**94,291**	278,105

46. 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 2018	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 and 1 January 2019	360,207	32	9,374	(118,787)	250,826
Loss for the year	**–**	**–**	**–**	**(182,279)**	**(182,279)**
Transfer upon forfeiture of share options	**–**	**–**	**(5,973)**	**5,973**	**–**
Reversal of equity-settled share-based payments	**–**	**–**	**(855)**	**–**	**(855)**
Share repurchased and cancelled	**(632)**	**–**	**–**	**–**	**(632)**
At 31 December 2019	**359,575**	**32**	**2,546**	**(295,093)**	**67,060**

47. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
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

47. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
Dainty Shanghai Co., Ltd.	PRC (Note (a)) 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 (a)) 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 (a)) 24 April 2016	Registered capital RMB1,000,000	**–**	–	**100%**	100%	Inactive
Tempus BVI	British Virgin Islands 14 June 2016	US$50,000	**100%**	100%	**–**	–	Inactive
Tempus Sky (Note (c))	Hong Kong 14 September 2016	HK$13,400	**–**	–	**–**	51.5%	Investment holding
Sky Logistics & Supply Chain Limited (Note (c))	Hong Kong 30 November 2001	HK$1,000,000	**–**	–	**–**	51.5%	Provision of logistics services and general trading
Great Giant Limited (Note (c))	Hong Kong 29 March 1994	HK$100,000	**–**	–	**–**	51.5%	Provision of logistics services and general trading
Tempus (BVI) Properties Investment Limited	British Virgin Islands 6 October 2016	US$50,000	**100%**	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 (Note (b))	British Virgin Islands 21 October 2015	US$100	**–**	–	**–**	100%	Property investment

47. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company Directly 2019	2018	Indirectly 2019	2018	Principal activities
Tempus Star (HK) Investment Limited	Hong Kong 9 June 2017	HK$1	**–**	–	**100%**	100%	Investment holding
Shenzhen Tempus	PRC (Note (a)) 24 November 2016	Registered and paid-up capital RMB120,000,000	**–**	–	**100%**	100%	Investment holding
OTO Properties Investment I (BVI) Limited	British Virgin Islands 23 April 2019	US$1	**–**	–	**100%**	–	Inactive
OTO Properties Investment II (BVI) Limited	British Virgin Islands 23 April 2019	US$1	**–**	–	**100%**	–	Inactive
深圳騰邦豪特商貿有限公司	PRC (Note (a)) 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 (a)) 17 November 2017	Registered capital USD30,000,000 Paid-up capital USD17,500,000	**–**	–	**100%**	100%	Investment holding
SZ Tempus Value Chain	PRC (Note (a)) 11 July 2005	Registered and paid-up capital RMB52,631,579	**78.75%**	78.75%	**–**	–	Trading and distribution of consumer products, supply chain services and investment holding
Qianhai Value Chain (Note (b))	PRC (Note (a)) 13 October 2014	Registered and paid-up capital RMB50,000,000	**–**	–	**–**	78.75%	Trading and distribution of consumer products and supply chain services
上海騰邦供應鏈有限公司	PRC (Note (a)) 3 December 2012	Registered and paid-up capital RMB10,000,000	**–**	–	**78.75%**	78.75%	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 (Note (b))	PRC (Note (a)) 1 September 2016	Registered capital RMB10,000,000	**–**	–	**–**	78.75%	Inactive
惠州市惠天勤物流有限公司	PRC (Note (a)) 14 July 2017	Registered capital RMB5,000,000	**–**	–	**78.75%**	78.75%	Inactive
天津騰邦易貿通外貿服務有限公司	PRC (Note (a)) 13 March 2018	Registered and paid-up capital RMB50,000,000	**–**	–	**80%**	80%	Inactive

47. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes:

(a) These subsidiaries are wholly foreign-owned enterprises registered in the PRC.

(b) These subsidiaries had been disposed of during the year.

(c) These subsidiaries had been reclassified as associates of the Group upon partial disposal of equity interest in Tempus Sky during the year.

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		(Loss)/profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2019	2018	**2019**	2018	**2019**	2018
SZ Tempus Value Chain	PRC	**21.25%**	21.25%	**(10,955)**	3,608	**13,608**	24,100

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.

47. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Current assets	**72,165**	148,097
Non-current assets	**1,974**	654
Current liabilities	**(8,813)**	(35,338)
Non-current liabilities	**(1,290)**	–
	64,036	113,413
Equity attributable to owners of the Company	**50,428**	89,313
Non-controlling interest	**13,608**	24,100
	64,036	113,413
Revenue	**242,830**	279,886
Expenses	**(294,385)**	(268,964)
(Loss)/profit for the year	**(51,555)**	10,922
(Loss)/profit attributable to owners of the Company	**(40,600)**	7,314
(Loss)/profit attributable to non-controlling interest	**(10,955)**	3,608
(Loss)/profit for the year	**(51,555)**	10,922
Other comprehensive income/(loss) attributable to owners of the Company	**1,715**	(4,761)
Other comprehensive income/(loss) attributable to non-controlling interests	**463**	(1,946)
Other comprehensive income/(loss) for the year	**2,178**	(6,707)
Total comprehensive (loss)/income attributable to owners of the Company	**(38,885)**	2,553
Total comprehensive (loss)/income attributable to non-controlling interest	**(10,492)**	1,662
Total comprehensive (loss)/income for the year	**(49,377)**	4,215
Net cash outflow from operating activities	**(5,005)**	(759)
Net cash inflow/(outflow) from investing activities	**59**	(83)
Net cash inflow from financing activities	**1,359**	–
Net cash outflow	**(3,587)**	(842)

48. 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.

	Lease liabilities HK$'000	Obligations under finance leases HK$'000	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Senior note HK$'000	Amount due to an intermediate holding company HK$'000	Amount due to an immediate holding company HK$'000	Dividend payable HK$'000	Total HK$'000
At 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)	59,353
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
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
Adjustments upon application of HKFRS 16	93,256	(5,119)	–	–	–	–	–	–	88,137
At 1 January 2019 (restated)	**93,256**	**–**	**293,725**	**192,228**	**50,645**	**1,355**	**–**	**–**	**631,209**
Financing cash flows	**(58,023)**	**–**	**8,700**	**(47,892)**	**(53,399)**	**(1,355)**	**600**	**–**	**(151,369)**
Non-cash changes									
Finance cost recognised	**4,247**	**–**	**6,695**	**36,263**	**2,754**	**–**	**–**	**–**	**49,959**
New leases entered	**70,613**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**70,613**
Disposal of a subsidiary	**(43,472)**	**–**	**(103,764)**	**–**	**–**	**–**	**–**	**–**	**(147,236)**
Gain on fair value change of derivatives embedded in convertible bonds	**–**	**–**	**–**	**(10,095)**	**–**	**–**	**–**	**–**	**(10,095)**
Exchange adjustments	**(302)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(302)**
At 31 December 2019	**66,319**	**–**	**205,356**	**170,504**	**–**	**–**	**600**	**–**	**442,779**

49. EVENTS AFTER THE REPORTING PERIOD

Disposal of other receivable

On 22 January 2020, the Group and an independent third party (the "Transferee") entered into an agreement (the"Receivables Transfer Agreement") in respect of the assignment of the remaining balance of other receivable of RMB19,810,000 (equivalent to HK$22,077,000) from the Group to the Transferee at a total consideration of RMB15,850,000 (equivalent to HK$17,664,000) (the "Consideration"). Pursuant to the Receivables Transfer Agreement, the Transferee should pay the consideration in two instalments: (i) RMB3,850,000 (equivalent to HK$4,291,000) within one calendar day from the date of the Receivables Transfer Agreement; and (ii) RMB12,000,000 (equivalent to HK$13,373,000) within 30 calendar days from the date of the Receivables Transfer Agreement or the completion of certain conditions. Up to the date when the consolidated financial statements are authorised for issue, the Group had received RMB13,565,000 (equivalent to HK$15,119,000).

Outbreak of the novel coronavirus (the "COVID-19 outbreak") in early 2020

Since the COVID-19 outbreak in early 2020, the Board has been closely monitoring the Group's exposure to the risks and uncertainties in connection with the COVID-19 outbreak. The business markets of the Group primarily focuses in the Mainland China, Hong Kong and Macau, Singapore and Malaysia (the "Relevant Regions"). Due to the COVID-19 outbreak, various governmental control measures have been implemented in the Relevant Regions in combating the COVID-19 outbreak, such as the retail stores have been temporarily closed. The number of customers visiting the shopping malls has been significantly reduced, which may lead to a decrease in the sales and the revenue of the Group to some extent. Given the dynamic nature of these circumstances, the degree of impact of the COVID-19 outbreak on the Group's business and financial performance cannot be determined now.

50. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations set out in Note 11 to the consolidated financial statements. The comparative figures in the consolidated statement of profit or loss have been restated to achieve consistent presentation as the current year.

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
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(262,469)**	(33,922)	24,142	(7,982)	12,219
Non-controlling interests	**(19,881)**	3,028	7,358	5,831	–
	(282,350)	(30,894)	31,500	(2,151)	12,219

ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**704,192**	1,123,558	1,048,855	728,444	499,543
TOTAL LIABILITIES	**543,778**	673,296	566,013	240,414	78,347
TOTAL EQUITY	**160,414**	450,262	482,842	488,030	421,196