

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

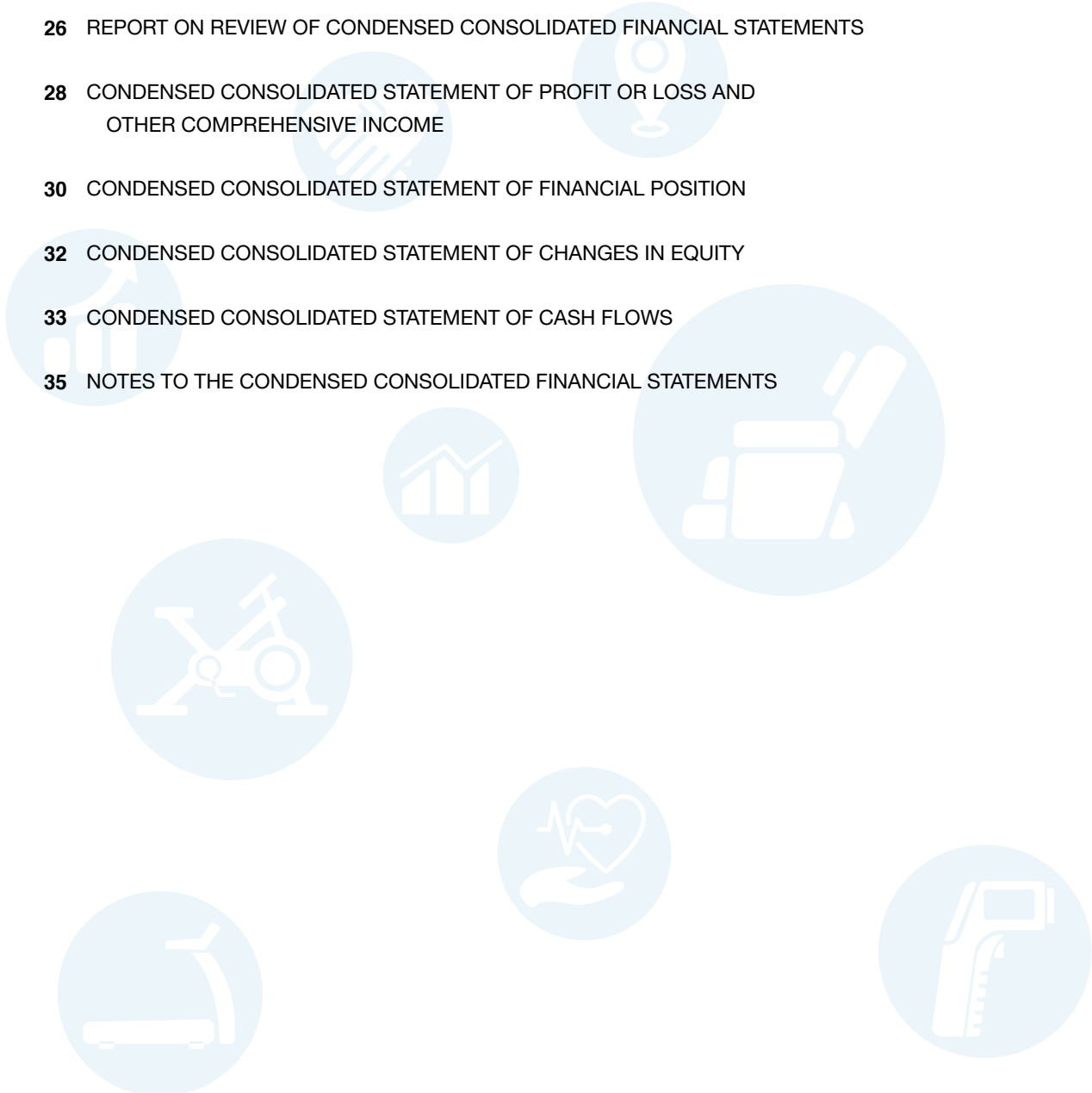
INTERIM REPORT
2021



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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. Li Qi
Mr. Wong Kai Hing
Mr. Cheng Tsz Lok

COMPANY SECRETARY

Ms. Cheung Man Yin

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. Cheng Tsz Lok

REMUNERATION COMMITTEE

Mr. Cheng Tsz Lok (*Chairman*)
Mr. Li Qi
Mr. Wong Kai Hing
Mr. Zhong Yiming
Mr. Sun Yifei

NOMINATION COMMITTEE

Mr. Cheng Tsz Lok (*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
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F.
148 Electric Road
North Point, Hong Kong

AUDITOR

Moore Stephens CPA Limited
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
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
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

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tempus Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with the unaudited comparative figures for the six months ended 30 June 2020. The interim results and this interim report for the Period are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)	Changes
Profitability data (HK\$'000)			
Revenue	241,528	171,849	40.5%
Gross profit	127,254	88,694	43.5%
Loss before tax	(59,869)	(42,099)	42.2%
Loss after tax for the Period	(60,345)	(42,373)	42.4%
Loss per share — basic and diluted (HK cents)	(17.18)	(12.03)	42.8%
Gross profit margin	52.7%	51.6%	1.1 ppt
	As at		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	Changes
Assets and liabilities data (HK\$'000)			
Bank balances and cash	105,948	118,526	(10.6%)
Bank and other borrowings	194,740	196,654	(1.0%)
Net current liabilities	(34,650)	(259,991)	(86.7%)
Total assets less current liabilities	56,753	114,500	(50.4%)
Assets and working capital ratios/data			
Current ratio (<i>times</i>)	0.9	0.5	0.4
Gearing ratio (%)	66.2	60.8	5.4
Inventories turnover days (<i>days</i>)	55.5	62.8	(7.3)
Trade receivables turnover days (<i>days</i>)	41.0	65.0	(24.0)
Trade payables turnover days (<i>days</i>)	70.0	89.6	(19.6)

FINANCIAL HIGHLIGHTS

Notes for key ratio:

Gross profit	Revenue — Cost of sales
Loss per share	Loss attributable to shareholders/Weighted average number of ordinary shares
Current ratio	Current assets/Current liabilities
Gearing ratio	Total borrowings/Total assets x 100%
Inventories turnover days	Average of beginning and ending inventories balances/Cost of sales x number of days in the Period
Trade receivables turnover days	Average of beginning and ending trade receivables balances/Revenue x number of days in the Period
Trade payables turnover days	Average of beginning and ending trade payables balances/Cost of sales x number of days in the Period

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group's revenue was HK\$241.5 million, increased by 40.5% as compared to HK\$171.8 million for the six months ended 30 June 2020. The increase in revenue was mainly due to the impact of the novel coronavirus (COVID-19) for the Period as compared to the corresponding period of last year which had alleviated. The business environment in the Mainland China, Macau, Singapore and Hong Kong has generally resumed to normal during the Period, although OTO Malaysia was compelled to close its retail outlets and its operations as the outbreak continued to rampage in Malaysia. Overall, the Group's revenue for the Period has recorded a moderate growth compared with the corresponding period of last year. However, such increase in revenue was offset by (i) the absence of reversal of the impairment losses on financial assets recognized during the Period, as compared to impairment losses on financial assets of approximately HK\$15.8 million which had been reversed for the six months ended 30 June 2020; and (ii) an impairment loss on property, plant and equipment of approximately HK\$24.3 million for the Period, while there was no impairment loss on property, plant and equipment recognized in the corresponding period of last year. Overall, the Group recorded a loss for the Period of HK\$60.3 million, as compared to HK\$42.4 million for the six months ended 30 June 2020.

SALES OF HEALTH AND WELLNESS PRODUCTS BUSINESS

During the Period, sales of massage chairs/other massage and fitness/diagnostics products were HK\$230.1 million and HK\$11.3 million, respectively, representing 95.3% and 4.7% of the Group's segment revenue from the sales of health and wellness products business, respectively. The Group launched a total of 21 new products, generating revenue of HK\$13.4 million, representing 5.6% 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 of (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.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below shows the revenue breakdown of each sales channel.

	Six months ended 30 June 2021		Six months ended 30 June 2020		Changes	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
	(Unaudited)		(Unaudited)			
Retail outlets	126,572	52.4	91,316	53.8	35,256	38.6
Roadshow counters	7,689	3.2	10,458	6.2	(2,769)	(26.5)
Corporate sales	78,510	32.5	44,207	26.0	34,303	77.6
International sales	9,456	3.9	6,137	3.6	3,319	54.1
Internet sales	19,188	8.0	17,601	10.4	1,587	9.0
Total	241,415	100.0	169,719	100.0	71,696	42.2

(i) Traditional sales channels

During the Period, the Group's revenue generated from traditional sales channels was HK\$126.6 million, representing 52.4% of the Group's segment revenue from the sales of health and wellness products business and an increase of 38.6% as compared to HK\$91.3 million for the six months ended 30 June 2020. The increase was mainly due to the diminished impact of the COVID-19 pandemic resulting from anti-epidemic measures implemented by the various governments, the market has relatively recovered compared with the corresponding period of the previous year.

As at 30 June 2021, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at		
	30 June 2021	31 December 2020	30 June 2020
Mainland China	116	118	116
Hong Kong and Macau	23	23	23
Singapore and Malaysia	9	14	15
Total	148	155	154

MANAGEMENT DISCUSSION AND ANALYSIS

Retail business in the Mainland China

As at 30 June 2021, the Group operated 116 retail outlets in the Mainland China, mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei regions and Chengdu. During the Period, the revenue contributed by retail business in the Mainland China was HK\$50.2 million, representing an increase of 31.1% as compared to HK\$38.3 million for the six months ended 30 June 2020. The increase was due to the COVID-19 pandemic being kept in a tight rein by the strong leadership of the PRC central government with efficient measures, thus rendering the COVID-19 pandemic is under control in China. The domestic economy in Mainland China having recovered strongly during the Period.

Retail business in Hong Kong and Macau

As at 30 June 2021, the Group maintained 23 retail outlets in Hong Kong and Macau. During the Period, the revenue contributed by the retail business in the region was HK\$52.5 million, representing an increase of 15.1% as compared to HK\$45.6 million for the six months ended 30 June 2020. During the Period, social stability in Hong Kong was restored, and with the COVID-19 pandemic relatively under control in Hong Kong and Macau compared with the onslaught of the COVID-19 pandemic in the first half of 2020, the region's economy experienced modest growth.

Retail business in Singapore and Malaysia

As at 30 June 2021, the Group operated 9 retail outlets in Singapore. During the Period, the revenue contributed by retail business in the region was HK\$23.9 million, representing an increase of 223.0% as compared to HK\$7.4 million for the six months ended 30 June 2020. The increase in revenue in the region was mainly due to the COVID-19 pandemic situation remaining relatively stable in Singapore and the government had responded timely with a series of relief and support measures in place to encourage local spending, thereby boosted the demands on health and wellness products. During the Period, OTO Malaysia had shut down its retail outlets and its operations as the outbreak has continued to run rampant in Malaysia.

(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 decrease of 26.5% in revenue from roadshow counters was mainly due to the COVID-19 pandemic, and its associated social distancing requirements including the limits on number of persons and capacity, the ongoing restrictions continue to impact the performance of this sales channel.

MANAGEMENT DISCUSSION AND ANALYSIS

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 77.6% in revenue from corporate sales was mainly brought by a sizable retail chain store in Mainland China through its active promotion and expansion during the Period.

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 increase of 54.1% in revenue from international sales was mainly due to having more new clients in the Europe and Middle Eastern market during the Period.

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 COVID-19 pandemic has stimulated continuous online shopping behaviors, which is the main reason to record a growth of 9.0% in revenue from internet sales.

TRADING BUSINESS

The Group's trading business represents trading of goods such as personal consumables. During the Period, the revenue generated from the trading business was HK\$0.1 million, representing 0.1% of the revenue generated from operations of the Group. The decrease of 94.7% in the revenue generated from trading business as compared to HK\$2.1 million for the six months ended 30 June 2020 was mainly due to the relatively inactive trading business segment during the Period.

RESULTS OF OPERATION

Revenue

Revenue represents the income from sales of health and wellness products and trading of consumer products. During the Period, the Group's revenue increased by 40.5% to HK\$241.5 million from HK\$171.8 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in revenue of 42.2% generated from sales of health and wellness products business.

	Six months ended 30 June 2021		Six months ended 30 June 2020		Changes	
	HK\$'000 (Unaudited)	% of revenue	HK\$'000 (Unaudited)	% of revenue	HK\$'000	%
Sales of health and wellness products	241,415	99.9	169,719	98.8	71,696	42.2
Trading	113	0.1	2,130	1.2	(2,017)	(94.7)
Total	241,528	100.0	171,849	100.0	69,679	40.5

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales represents product cost and direct expenses in relation to purchases of products. The Group's cost of sales for the Period was HK\$114.3 million, representing an increase of 37.4% from HK\$83.2 million for the six months ended 30 June 2020. The increase in cost of sales was mainly due to the increase in cost of sales of health and wellness products in line with the increase of the revenue of the same segment.

Gross profit

The gross profits for the Period and for the six months ended 30 June 2020 were HK\$127.3 million and HK\$88.7 million, respectively. The gross profit margins for the Period and for the six months ended 30 June 2020 were 52.7% and 51.6%, respectively, representing an increase of 1.1 ppt. The gross profit margins remained stable during the Period.

Other income

Other income for the Period was HK\$2.5 million, mainly comprising government grants of HK\$0.8 million, repair income of HK\$0.9 million and bank interest income of HK\$0.2 million. Other income for the six months ended 30 June 2020 was HK\$6.0 million, mainly comprising government grants of HK\$4.0 million and repair income of HK\$0.8 million.

Other gains and losses, net

Other gains and losses, net for the Period was a loss of HK\$28.5 million, mainly comprising a loss on fair value change on financial assets at fair value through profit or loss of HK\$3.4 million and an impairment loss on property, plant and equipment of approximately HK\$24.3 million. Other gains and losses, net for the six months ended 30 June 2020 was a loss of HK\$2.6 million, mainly comprising a loss on fair value change on financial assets at fair value through profit or loss of HK\$8.1 million which was partially offset by the gain on rent concession of HK\$4.2 million and net exchange gain of HK\$1.2 million.

Impairment losses/reversal of impairment losses on financial assets

A sum of HK\$15.8 million of impairment losses on financial assets which the Group recognised in 2019 has been reversed for the six months ended 30 June 2020, mainly represented by consideration receivables received from other debtors. Impairment losses on financial assets for six months ended 30 June 2020, mainly represented by the impairment losses on the other debtors of HK\$1.9 million, decreased to HK\$0.1 million for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

Share of results of associates for the Period was a loss of HK\$2.7 million (as compared to a loss of HK\$3.3 million for the six months ended 30 June 2020), mainly representing the Group's share of loss from associates, Yantai Tengbang Investment Management Co., Ltd (煙台騰邦股權投資管理有限公司) and Guangdong Shucheng Technology Co., Ltd (廣東數程科技有限公司).

Selling and distribution expenses

Selling and distribution expenses mainly comprising distribution expense, rental expense and management expense as well as staff costs, increased from HK\$85.8 million for the six months ended 30 June 2020 to HK\$104.7 million for the Period. The increase was mainly attributed to the increase in distribution expense of HK\$2.1 million, rental expense and management expense of HK\$2.6 million and staff costs of HK\$13.1 million.

Administrative expenses

Administrative expenses mainly comprising staff costs and professional fees, decreased from HK\$40.0 million for the six months ended 30 June 2020 to HK\$34.3 million for the Period. The decrease was primarily due to the decrease in legal and professional expense of HK\$2.0 million and depreciation on property, plant and equipment of HK\$3.7 million.

Finance costs

Finance costs increased to HK\$19.5 million for the Period from HK\$19.1 million for the six months ended 30 June 2020. The increase in finance costs during the Period was due to the increase in interest on other borrowings of HK\$0.4 million, interest on convertible bonds of HK\$1.5 million, of which was partially offset by the decrease in interest on bank borrowings of HK\$1.4 million.

Loss before tax

As a result of the factors described above, the Group's loss before tax was HK\$59.9 million for the Period, as compared to the loss before tax of HK\$42.1 million for the six months ended 30 June 2020.

Income tax expense

Income tax expense was HK\$0.5 million for the Period and HK\$0.3 million for the six months ended 30 June 2020. The increase was mainly attributed to the increase in profit subject to income tax for the Period.

Loss for the period

As a result of the factors described above, the Group's loss was HK\$60.3 million for the Period, as compared to a loss of HK\$42.4 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 30 June 2021, total equity of the Group was HK\$33.0 million (as at 31 December 2020: HK\$91.0 million). The decrease was mainly due to the loss for the Period.

As at 30 June 2021, the Group's net current liabilities was HK\$34.7 million (as at 31 December 2020: HK\$260.0 million), which included the liabilities of the Target Companies that were classified as liabilities associated with assets classified as held for sale of HK\$0.1 million. The current ratio was 0.9 times as at 30 June 2021 (as at 31 December 2020: 0.5 times).

As at 30 June 2021, total non-current assets of the Group was HK\$91.4 million (as at 31 December 2020: HK\$374.5 million), while the total current assets of the Group was HK\$489.8 million (as at 31 December 2020: HK\$260.5 million), which included the assets of the Target Companies that were classified as assets as held for sale of HK\$247.0 million (as at 31 December 2020: nil). The decrease in non-current assets and increase in current assets were mainly in relation to the disposal of the Target Companies, the assets of the Target Companies were transferred from property, plant and equipment under the non-current assets classified as held for sale under current assets during the Period, which were classified as non-current assets in the corresponding period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had bank balances and cash of HK\$105.9 million (as at 31 December 2020: HK\$118.5 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, Singapore 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\$4.6 million for the Period (for the six months ended 30 June 2020: HK\$50.1 million), primarily reflecting the operating cash inflows before movements in working capital of HK\$18.0 million, as adjusted by a decrease of HK\$0.6 million in inventories, a decrease of HK\$2.0 million in trade, bills and other receivables and a decrease of HK\$14.8 million in trade and other payables.

Investing activities

Net cash generated from investing activities was HK\$21.9 million for the Period (net cash used for the six months ended 30 June 2020: HK\$2.4 million), primarily consisted of deposit received from the purchaser of the subsidiaries of HK\$25.0 million that was partially offset by payment for acquisition of property, plant and equipment of HK\$4.5 million.

Financing activities

Net cash used in financing activities was HK\$41.1 million for the Period (for the six months ended 30 June 2020: HK\$33.9 million), which was primarily due to repayments of convertible bonds of HK\$15.5 million and repayment of lease liabilities of HK\$21.6 million during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 June 2021 was HK\$384.7 million with effective interest rates ranging from 1.38% to 18.00% per annum. The Group's gearing ratio increased by 5.4ppt from 60.8% as at 31 December 2020 to 66.2% as at 30 June 2021, primarily due to the significant impairment loss on property, plant and equipment of approximately HK\$24.3 million and decrease in bank balances and cash of approximately HK\$12.6 million at the end of the Period.

WORKING CAPITAL

As at 30 June 2021, the net negative working capital of the Group was HK\$34.7 million, which represented a decrease of HK\$225.3 million or 86.7% as compared to the net negative working capital HK\$260.0 million as at 31 December 2020. The decrease in net negative working capital was primarily due to the disposal of the Target Companies, the net assets of the Target Companies of HK\$246.9 million which were classified as assets as held for sales as at 30 June 2021 as disclosed in Note 16 to the condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

As at 30 June 2021, the Group's inventories decreased by HK\$1.1 million to HK\$34.5 million from HK\$35.6 million as at 31 December 2020. The inventories turnover days was 55.5 days as at 30 June 2021 as compared with 62.8 days as at 31 December 2020. The decrease was primarily due to the improved inventories control and logistics management.

As at 30 June 2021, the Group's trade receivables decreased by HK\$2.5 million, to HK\$53.5 million from HK\$56.0 million as at 31 December 2020. The trade receivables turnover days decreased to 41.0 days from 65.0 days as at 31 December 2020. The decrease was due to better control of collection of trade receivables during the Period.

As at 30 June 2021, the Group's trade payables decreased by HK\$5.7 million to HK\$41.4 million from HK\$47.1 million as at 31 December 2020. The trade payables turnover days decreased by 19.6 days to 70.0 days from 89.6 days as at 31 December 2020. The decrease in trade payables turnover days was mainly due to shorter settlement period for the suppliers during the Period.

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to HK\$4.5 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 30 June 2021, the Group had pledged certain assets, including leasehold land and buildings, which is under property, plant and equipment with a total carrying value of HK\$246.6 million for the purpose of securing certain banking and other facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Disposal of entire equity interests in KK VII (BVI) Limited and KK VIII (BVI) Limited (the “Target Companies”)

On 30 June 2021, Tempus (BVI) Properties Investment Limited (the “Vendor”), a direct wholly-owned subsidiary of the Company, Yi Feng Development Limited, an independent third party, (the “Purchaser”) and the Company (as guarantor for the performance of the obligations of the Vendor under the conditional sale and purchase agreement) entered into a conditional sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase (i) the sale shares, representing the entire issued share capital of the Target Companies, and (ii) the sale loans, being all such sum of money due and owing by the Target Companies to the Vendor as at completion, for a consideration of HK\$250,000,000 subject to adjustments under certain conditions (the “Proposed Disposal”). The initial deposit of HK\$25,000,000 has been paid by the Purchaser prior to the signing of the conditional sale and purchase agreement, the further deposit of HK\$20,000,000 has been paid by the Purchaser on 15 July 2021, and the balance of the consideration (as adjusted with reference to the net tangible assets value of the Target Companies at completion date) shall be paid by the Purchaser on completion. The completion of the transaction shall take place at or before 12:00p.m. on a business day on or before 13 October 2021 immediately after all the conditions have been fulfilled or waived (as the case may be), or any other date to be mutually agreed between the parties in writing or such other date as the Vendor and the Purchaser may agree in writing when the business set out in the conditional sale and purchase agreement shall be transacted. An extraordinary general meeting will be held on Monday, 13 September 2021 to approve, among other things, the Proposed Disposal.

For details, please refer to the Company’s announcements dated 14 April 2021, 11 June 2021 and 30 June 2021, and the circular of the Company dated 19 August 2021.

OTHER EVENT DURING THE PERIOD

On 11 March 2021, the Company received a notification from Tempus Group Holdings Limited* (騰邦集團有限公司) (“Tempus Group”) and Tempus Logistics Group Holding Ltd.* (騰邦物流集團股份有限公司) (“Tempus Logistics”), the controlling shareholders of the Company, regarding a decision received by Tempus Group from Guangdong Province Shenzhen Intermediate People’s Court (廣東省深圳市中級人民法院) (the “Court”) on 8 March 2021 (the “Decision”). Pursuant to the Decision, the Court has decided to initiate the pre-reorganization procedures (the “Pre-reorganization”) against Tempus Group, Tempus Logistics, and Tempus Asset Management Group Co., Ltd.* (騰邦資產管理集團股份有限公司) (“Tempus Asset”), the period of which is three months from the date of the Decision, and Beijing Zhong Lun (Shenzhen) Law Firm* (北京市中倫(深圳)律師事務所) and KPMG Consulting (China) Co., Ltd.* (畢馬威企業諮詢(中國)有限公司) have been designated by the Court to jointly act as the managers of Tempus Group, Tempus Logistics, and Tempus Asset during the period of pre-reorganization (the “Event”). So far as the Board is aware, as at the date of this report, the Event has no material impact to the business and general operations of the Company and its subsidiaries. For details, please refer to the announcements of the Company dated 21 October 2020 and 12 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

As disclosed in the announcement of the Company dated 1 June 2021 in relation to debt restructuring, the Company received a notice from the subscriber of the convertible bonds (the “**CBs holder**”) informing the Company of its agreement in principle to a debt restructuring proposal (the “**Proposal**”) proposed by the Company. As further disclosed in the announcement of the Company dated 27 August 2021, the Company entered into the bonds restructuring deed (the “**Deed**”) with the CBs holder, pursuant to which the CBs holder and the Company agreed that the Company shall repay and settle the outstanding amount of HK\$144 million in accordance with the terms and conditions of the Deed. For further details of the Proposal and the Deed, please refer to the announcements of the Company dated 1 June 2021 and 27 August 2021.

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (for the six months ended 30 June 2020: Nil).

CONTINGENT LIABILITIES

Saved as disclosed in this report, the Group did not have any material contingent liabilities as at 30 June 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 30 June 2021, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB31.2 million (equivalent to approximately HK\$37.4 million), in Singapore dollar of approximately SGD3.9 million (equivalent to approximately HK\$22.5 million), and in United States dollar of approximately US\$0.3 million (equivalent to approximately HK\$2.2 million). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total number of 608 (as at 31 December 2020: 604) 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 of the Company (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 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 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 COVID-19 outbreak in the first half of year 2020 adversely affected the overall business environment, and its negative influence on the global economy continued into 2021. Fortunately, its impact is now relatively under control and appears to be diminishing, which has brought about improvements in the sales performance of Group from the health and wellness business during the Period. In terms of debt restructuring, the Company and the CBs holder has agreed on restructuring plan and has entered into the bonds restructuring deed in relation to the outstanding amount of the convertible bonds and the interest accrued thereof, as disclosed in the Company's announcements dated 1 June 2021 and 27 August 2021, respectively. On 30 June 2021, the Company has also announced the disposal of the Target Companies to realise its investment in its properties. These measures serve to facilitate the settlement of the bank borrowings and the payment obligation under the debt restructuring, and will thereby improve the Group's financial position and lower its short-term indebtedness. Looking forward, risks and opportunities co-exist, the Group will actively take steps to further develop the self-owned "OTO" brand and strengthen its market share by maintaining a positive spirit of innovation and continuous improvement so as to seek break-throughs in products, marketing, channels and other aspects. Unfailingly, the Group will continue to devote itself to explore new business opportunity. The Company remains cautiously optimistic towards its business and development.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Period, except the code provision A.5.1 of the CG Code. Pursuant to code provision A.5.1 of the CG Code, the nomination committee of the Company (the “**Nomination Committee**”) is required to be chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors.

Mr. Han Biao resigned as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee with effect from 1 December 2020 (the “**Resignation of Mr. Han**”). Following the appointment of Mr. Cheng Tsz Lok as an independent non-executive Director, chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee with effect from 28 February 2021 (the “**Appointment of Mr. Cheng**”), the Company has been in compliance with the requirements prescribed under code provision A.5.1 of the CG Code since 28 February 2021.

In addition, upon the Resignation of Mr. Han, the Company no longer complied with Rules 3.10(1), 3.10A, 3.21 and 3.25 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. Following the Appointment of Mr. Cheng, the number of independent non-executive Directors has satisfied the minimum number as stipulated under Rule 3.10(1) of the Listing Rules, and with independent non-executive Directors representing at least one-third of the Board, the Company has thereby complied with Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the Company has also met the requirements on composition of the committees of the Company under the terms of reference of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. The Audit Committee is now comprised of solely non-executive Directors, and has a minimum of three members. The Remuneration Committee is currently composed of a majority of independent non-executive Directors and chaired by an independent non-executive Director. In view thereof, the Company also complies with the Rules 3.21 and 3.25 of the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to 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 as set out in the Model Code and its code of conduct regarding Directors’ securities transactions throughout the Period.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Director	Details of change
Mr. Wong Kai Hing	Appointed as an independent non-executive director of Grown Up Group Investment Holdings Limited (stock code: 1842), a company listed on the Main Board of the Stock Exchange, on 21 April 2021

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, 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 6)
Mr. Zhong Baisheng (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
Mr. Yip Chee Lai, Charlie (Note 3)	Beneficial owner	6,046,000(L)	2,000,000(L)	8,046,000(L)	2.30%
	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)	2,000,000(L)	26,030,000(L)	7.45%
Mr. Sun Yifei (Note 4)	Beneficial owner	—	2,000,000(L)	2,000,000(L)	0.57%
Mr. Li Qi (Note 5)	Beneficial owner	—	200,000(L)	200,000(L)	0.06%

OTHER INFORMATION

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.
- (3) Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Seng, Mr. Yip Chee Way, David and Mr. Yep Gee Kuarn (the “**Minority Shareholders**”) have been persons acting in concert since 1 April 2008 pursuant to a confirmatory agreement dated 1 February 2011 entered into by and among them. Accordingly, each of the Minority Shareholders is deemed to be interested in the shares in which the Minority Shareholders are interested pursuant to the SFO. Mr. Yip Chee Lai, Charlie’s long position in the underlying shares comprises an aggregate of 2,000,000 options granted to him by the Company on 16 April 2018 under the share option scheme adopted by the Company on 25 November 2011 (the “**Share Option Scheme**”). These 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 2,000,000 options granted to him by the Company on 16 April 2018 under the Share Option Scheme. These 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. Li Qi’s long position in the underlying shares comprises an aggregate of 200,000 options granted to him by the Company on 16 April 2018 under the Share Option Scheme. These 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) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued shares of the Company as at 30 June 2021.

* *For identification purposes only*

OTHER INFORMATION

(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 Option Scheme" in this report, as at 30 June 2021, 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, or (ii) which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, 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 of the Company 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:

OTHER INFORMATION

Name of Shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company (Note 5)
Tempus Hong Kong (Note 2)	Beneficial owner	201,534,092(L)	—	201,534,092(L)	57.70%
Tempus Value Chain (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
Tempus Logistics (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
Tempus Group (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
Pingfeng Jewellery (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
Ms. Duan Naiqi (Note 2)	Interest in a controlled corporation	201,534,092(L)	—	201,534,092(L)	57.70%
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)	2,000,000(L)	20,256,000(L)	5.80%
	Total	24,030,000(L)	2,000,000(L)	26,030,000(L)	7.45%
Mr. Yep Gee Kuarn (Note 4)	Beneficial owner	6,114,000(L)	—	6,114,000(L)	1.75%
	Interests of parties to an agreement to acquire interests of the Company	17,916,000(L)	2,000,000(L)	19,916,000(L)	5.70%
	Total	24,030,000(L)	2,000,000(L)	26,030,000(L)	7.45%

OTHER INFORMATION

Name of Shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company (Note 5)
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)	2,000,000(L)	19,934,000(L)	5.70%
	Total	24,030,000(L)	2,000,000(L)	26,030,000(L)	7.45%

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.
- (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) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

OTHER INFORMATION

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.

On 29 January 2014, 31 August 2015, 26 January 2017 and 16 April 2018, the Group granted 3,180,000 share options (Lot 1), 5,400,000 share options (Lot 2), 23,420,000 share options (Lot 3) and 34,986,000 share options (Lot 4), respectively, under the Share Option Scheme at the exercise price of HK\$0.62 per share, HK\$3.38 per share, HK\$1.84 per share and HK\$2.13 per share, respectively, to certain Directors, senior management and selected employees of the Group.

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.

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

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options					Outstanding as at 30 June 2021
					Outstanding as at 1 January 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
Directors										
Mr. Yip Chee Lai, Charlie	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	–	–	(2,000,000)	–	2,000,000

OTHER INFORMATION

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options						
					Outstanding as at 1 January 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30 June 2021	
Directors											
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	–	–	(2,000,000)	–	2,000,000
	Mr. Li Qi	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	–	–	(200,000)	–	200,000	
Other eligible participants		26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	450,000	–	–	(450,000)	–	–
			26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–
			26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–
	26.1.2017 – 25.1.2020		26.1.2020 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–	
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	670,000	–	–	(100,000)	–	570,000	
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000	
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000	
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000	
	Sub-total					11,200,000	–	–	(5,500,000)	–	5,700,000
	Total					19,600,000	–	–	(9,700,000)	–	9,900,000

Note: Further details of the Share Option Scheme are set out in note 23 to the interim financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an Audit Committee and adopted the written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process, risk management and internal control system. The Audit Committee comprises of all independent non-executive Directors, namely, Mr. Wong Kai Hing (chairman of the Audit Committee), Mr. Li Qi and Mr. Cheng Tsz Lok.

The Group's interim results and this interim report for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee recommended the Board to adopt the same.

REVIEW OF INTERIM FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed together with the Board and Moore Stephens CPA Limited, the Company's auditor, the unaudited condensed consolidated financial statements of the Group for the Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tempus Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

EMPHASIS OF MATTER

We draw your attention to Note 1 to the condensed consolidated financial statements, which states that the Group incurred a net loss of approximately HK\$60 million for the six months ended 30 June 2021. As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately HK\$35 million. As at 30 June 2021, the Group has total bank and other borrowings of approximately HK\$195 million, of which are approximately HK\$132 million are repayable within twelve months from 30 June 2021 and approximately HK\$63 million contain a repayment on demand clause, as disclosed in Note 18. In addition, the Group's convertible bonds together with interest payable amounted to approximately HK\$190 million as at 30 June 2021 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 19. These conditions, together with other matters disclosed in Note 1 to the condensed 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 conclusion is not modified in respect of this matter.

Moore Stephens CPA Limited

Certified Public Accountants

Chan King Keung

Practising Certificate Number: P06057

Hong Kong, 27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Unaudited for the six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
Revenue	3A, 3B	241,528	171,849
Cost of sales		(114,274)	(83,155)
Gross profit		127,254	88,694
Other income	4	2,545	5,985
Other gains and losses, net	5	(28,499)	(2,591)
Impairment losses on financial assets		(89)	(1,918)
Reversal of impairment losses on financial assets		—	15,834
Share of results of associates		(2,658)	(3,262)
Selling and distribution expenses		(104,654)	(85,775)
Administrative expenses		(34,299)	(39,977)
Finance costs	6	(19,469)	(19,089)
Loss before tax	7	(59,869)	(42,099)
Income tax expense	8	(476)	(274)
Loss for the period		(60,345)	(42,373)
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		2,299	(2,682)
Total comprehensive loss for the period		(58,046)	(45,055)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTE	Unaudited for the six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
Loss for the period attributable to:			
Owners of the Company		(60,009)	(42,033)
Non-controlling interests		(336)	(340)
		(60,345)	(42,373)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(57,935)	(44,398)
Non-controlling interests		(111)	(657)
		(58,046)	(45,055)
Loss per share	10		
Basic and diluted (HK cents)		(17.18)	(12.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	24,874	298,450
Right-of-use assets	11	51,250	55,080
Investments in associates	12	7,728	10,284
Financial assets at fair value through profit or loss	13	2,871	5,701
Utility and other deposits paid		4,680	4,976
		91,403	374,491
Current assets			
Inventories	14	34,500	35,606
Trade, bills and other receivables	15	87,064	89,428
Utility and other deposits paid		13,916	13,749
Tax recoverable		14	37
Financial assets at fair value through profit or loss	13	—	1,720
Pledged bank deposits		1,418	1,418
Bank balances and cash		105,948	118,526
		242,860	260,484
Assets classified as held for sale	16	246,961	—
Total current assets		489,821	260,484

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	17	93,674	83,232
Contract liabilities		15,085	16,105
Amount due to ultimate holding company		52	51
Amount due to an intermediate holding company		133	131
Amount due to immediate holding company		600	600
Lease liabilities		28,977	33,241
Tax payable		1,169	992
Bank and other borrowings – due within one year	18	194,740	196,654
Convertible bonds	19	189,984	189,469
		524,414	520,475
Liabilities associated with assets classified as held for sale	16	57	–
Total current liabilities		524,471	520,475
Net current liabilities		(34,650)	(259,991)
Total assets less current liabilities		56,753	114,500
Non-current liabilities			
Lease liabilities		23,750	23,451
Net assets		33,003	91,049
Capital and reserves			
Share capital	20	27,231	27,231
(Deficit)/reserves		(21,259)	36,676
Equity attributable to owners of the Company		5,972	63,907
Non-controlling interests		27,031	27,142
Total equity		33,003	91,049

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Share HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	27,231	359,575	32	1,412	—	(8,601)	(124,750)	(20,677)	14,067	(184,382)	63,907	27,142	91,049
Loss for the period	—	—	—	—	—	—	—	—	—	(60,009)	(60,009)	(336)	(60,345)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	—	—	—
— exchange differences arising on translation	—	—	—	—	—	2,074	—	—	—	—	2,074	225	2,299
Total comprehensive income/(loss) for the period	—	—	—	—	—	2,074	—	—	—	(60,009)	(57,935)	(111)	(58,046)
Transfer upon forfeiture of share options	—	—	—	(1,147)	—	—	—	—	—	1,147	—	—	—
Deregistration of a subsidiary	—	—	—	—	—	—	—	—	(116)	116	—	—	—
At 30 June 2021 (unaudited)	27,231	359,575	32	265	—	(6,527)	(124,750)	(20,677)	13,951	(243,128)	5,972	27,031	33,003
At 1 January 2020 (audited)	27,231	359,575	32	2,546	—	(18,939)	(124,750)	(20,677)	14,067	(103,324)	135,761	24,653	160,414
Loss for the period	—	—	—	—	—	—	—	—	—	(42,033)	(42,033)	(840)	(42,373)
Other comprehensive loss for the period	—	—	—	—	—	—	—	—	—	—	—	—	—
— exchange differences arising on translation	—	—	—	—	—	(2,365)	—	—	—	—	(2,365)	(817)	(2,682)
Total comprehensive loss for the period	—	—	—	—	—	(2,365)	—	—	—	(42,033)	(44,398)	(657)	(45,055)
Transfer upon forfeiture of share options	—	—	—	(744)	—	—	—	—	—	744	—	—	—
At 30 June 2020 (unaudited)	27,231	359,575	32	1,802	—	(21,304)	(124,750)	(20,677)	14,067	(144,613)	91,363	23,996	115,359

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTES	Unaudited for the six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
Operating activities			
Operating cash flows before movements in working capital		17,992	3,891
Decrease in inventories		623	3,180
Decrease in trade, bills and other receivables		2,008	63,024
Decrease in utility and other deposits paid		24	775
Decrease in trade and other payables		(14,761)	(20,738)
Decrease in contract liabilities		(1,020)	(187)
Cash generated from operations		4,866	49,945
Income taxes (paid)/refunded		(276)	123
Net cash generated from operating activities		4,590	50,068
Investing activities			
Deposit received from the purchaser of the subsidiaries	17	25,000	—
Placement of bank deposits with original maturity over three months		(3,041)	—
Withdrawal of bank deposits with original maturity over three months		3,000	—
Purchases of financial assets at fair value through profit or loss		(2,856)	—
Proceeds from disposal of financial assets at fair value through profit or loss		4,023	—
Proceeds from disposal of property, plant and equipment		78	—
Purchases of property, plant and equipment	11	(4,497)	(2,516)
Interest received		168	102
Net cash generated from/(used in) investing activities		21,875	(2,414)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTES	Unaudited for the six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
Financing activities			
Interest paid		(2,020)	(2,334)
Redemption of convertible bonds	19	(15,500)	(5,000)
New bank and other borrowings raised	18	—	19,307
Repayment of bank borrowings	18	(1,914)	(1,660)
Repayment of other borrowings	18	—	(21,807)
Repayments of lease liabilities		(21,620)	(22,606)
Other financing cash flows		3	197
Net cash used in financing activities		(41,051)	(33,903)
Net (decrease)/increase in cash and cash equivalents		(14,586)	13,751
Cash and cash equivalents at the beginning of the period		115,526	73,340
Effect of foreign exchange rate changes		2,019	(2,341)
Cash and cash equivalents at the end of the period*		102,959	84,750
ANALYSIS OF THE BALANCES OF BANK BALANCES AND CASH			
Bank deposits with original maturity within three months and cash included in bank balances and cash		102,907	84,750
Bank deposits with original maturity within three months and cash included in assets classified as held for sale		52	—
Bank deposits with original maturity within three months and cash		102,959	84,750
Bank deposits with original maturity over three months		3,041	—
		106,000	84,750

* Cash and cash equivalents of the subsidiaries classified as disposal group held for sale are included in cash and cash equivalents as stated in the condensed consolidated statement of cash flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements is presented in Hong Kong Dollars (“HK\$”).

Going concern

During the six months ended 30 June 2021, Tempus Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) reported a net loss of approximately HK\$60 million. As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$35 million. As at 30 June 2021, the Group has total bank and other borrowings of approximately HK\$195 million, of which are approximately HK\$132 million are repayable within twelve months from 30 June 2021 and approximately HK\$63 million contain a repayment on demand clause, as disclosed in Note 18. In addition, the Group’s convertible bonds together with interest payable amounting to approximately HK\$190 million as at 30 June 2021 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 19. The bank balances and cash of the Group amounted to approximately HK\$106 million as at 30 June 2021.

On 23 March 2021, the Company received a statutory demand letter from the solicitor on behalf of the subscriber of the convertible bonds (the “CBs holder”) demanding repayment of the outstanding amount of the convertible bonds amounting to approximately HK\$195 million. According to the statutory demand letter, the Company was requested to repay the outstanding amount within three weeks from the date of receipt of the statutory demand letter. After the expiry of the three weeks’ period, the CBs holder may present a winding-up petition against the Company. As at the date of this interim report is authorised for issue, the Company has repaid HK\$38 million to the CBs holder and the remaining amounts have not been settled by the Company and the CBs holder has not presented the winding-up petition against the Company.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

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

- (i) As disclosed in the announcement of the Company dated 1 June 2021 in relation to debt restructuring, the Company received a notice from the CBs holder informing the Company of its agreement in principle to the restructuring plan proposed by the Company in relation to the outstanding principal amount of convertible bonds remained outstanding and interest accrued thereof (the “Proposal”). As disclosed in the announcement of the Company dated 27 August 2021, the Company entered into the bonds restructuring deed (the “Deed”) with the CBs holder, pursuant to which, the CBs holder and the Company agreed that provided that there is no breach of any provisions of the Deed by the Company, no other interest and default interest (as applicable) shall accrue on any indebtedness under or arising from any of the bonds related documents other than those already included in the Settlement Amount (as defined below) and the Company should repay and settle the outstanding amount of HK\$144 million (the “Settlement Amount”) which shall be payable as to (i) HK\$56 million by cash prior to 30 November 2021 (the “Part I Cash Settlement Amount”); (ii) subject to (a) the Company’s full payment of the aforesaid (i) in accordance with the Deed; and (b) having obtained all necessary internal and regulatory approvals, the Company shall allot and issue to the CBs holder and the CBs holder shall subscribe for such number of shares in the Company to be determined in accordance with the Deed (the “Settlement Shares”) (i.e., the nearest integral number determined by dividing HK\$44 million by the shares settlement price as agreed in the Deed (the “Share Settlement Price”)) provided that (i) total number of Settlement Shares shall represent no more than 20% of the total issued share capital of the Company (taking into account the allotment and issue of Settlement Shares); (ii) the total number of Settlement Shares held by the CBs holder, together with any shares in the Company held by it or parties acting in concert with it shall not trigger a mandatory general offer under the Codes on Takeover and Mergers. The Company is deemed to have repaid an amount determined by multiplying the number of Settlement Shares by the Settlement Amount (the “Share Settlement Amount”); and (iii) the Company shall repay the remaining settlement amount (the “Part II Cash Settlement Amount”, being the Settlement Amount less (i) the Part I Cash Settlement Amount, and less (ii) the Shares Settlement Amount) in two installments in accordance with the following schedules: (a) first installment: 50% of the Part II Cash Settlement Amount on or before the 1st anniversary of the share settlement date which is no later than three business days after 31 January 2022 or any other later date as agreed between the CBs holder and the Company. (b) second installment: the remaining 50% of the Part II Cash Settlement Amount on or before the 2nd anniversary of the share settlement date which is no later than three business days after 31 January 2022 or any other later date as agreed between the CBs holder and the Company. Subject to the Company’s full and punctual fulfilment of its obligations set out in the Deed, the CBs holder irrevocably and absolutely (i) waives any and all of its claims in respect of any indebtedness, any event of default provided in the bonds related documents and any breach of whatsoever nature of any of the obligations on the part of any of the Company, Tempus Group Co., Limited (being the keepwell provider) and Mr. Zhong Baisheng (being the guarantor) (collectively the “Obligors”) to be observed under the bonds related documents, as against the Obligors, and (ii) releases and forever discharges the Obligors from all their respective liabilities and obligations in connection with the right of CBs holder to enforce the bonds related documents. As at the date of this interim report, the Company has repaid HK\$38 million to the CBs holder pursuant to the Proposal, and the remaining outstanding Settlement Amount amounted to approximately HK\$106 million;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

- (ii) On 30 June 2021, the Group has also entered into the conditional sale and purchase agreement with an independent third party for the disposal of the Target Companies (as defined in Note 11) for a cash consideration of HK\$250 million (subject to adjustments under certain conditions), details are set out in Note 16; and
- (iii) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general and administrative and other operating expenses.

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 obligation as and when they fall due for the foreseeable future. Accordingly, the condensed 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 condensed 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 condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of the reporting period.

Other than changes in accounting policies resulting from application of revised Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2
HKFRS 4 and HKFRS 16

The Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” in prior year and the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021” (the “2021 Amendment”) in the current interim period. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening accumulated losses at 1 January 2021 and the financial position and financial performance for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

For the six months ended 30 June 2021

	Sales of health and wellness products business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Types of goods or services			
Sales of health and wellness products:			
Relaxation products	230,072	—	230,072
Fitness and other products	11,343	—	11,343
	241,415	—	241,415
Sales of consumer products	—	113	113
Total	241,415	113	241,528
Geographical markets			
Hong Kong	63,264	—	63,264
Macau	9,185	—	9,185
People's Republic of China (the "PRC")	129,487	113	129,600
Singapore	38,370	—	38,370
Malaysia	1,109	—	1,109
Total	241,415	113	241,528
Timing of revenue recognition			
A point in time	241,415	113	241,528

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3A. REVENUE FROM GOODS AND SERVICES *(Continued)*

Disaggregation of revenue *(Continued)*

For the six months ended 30 June 2020

	Sales of health and wellness products business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Types of goods or services			
Sales of health and wellness products:			
Relaxation products	155,311	—	155,311
Fitness and other products	14,408	—	14,408
	169,719	—	169,719
Sales of consumer products	—	2,130	2,130
Total	169,719	2,130	171,849
Geographical markets			
Hong Kong	57,014	—	57,014
Macau	10,901	—	10,901
PRC	82,419	2,130	84,549
Singapore	17,916	—	17,916
Malaysia	1,469	—	1,469
Total	169,719	2,130	171,849
Timing of revenue recognition			
A point in time	169,719	2,130	171,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3B. REVENUE AND SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2021

	Sales of health and wellness products business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue			
External sales	241,415	113	241,528
Inter-segment sales	—	—	—
Segment revenue	241,415	113	241,528
Elimination			—
Group revenue			241,528
Segment profit/(loss)	3,020	(984)	2,036
Share of results of associates			(2,658)
Impairment losses on financial assets			(89)
Unallocated administrative expenses			(11,358)
Other gains and losses, net			(28,499)
Bank interest income			168
Finance costs			(19,469)
Loss before tax			(59,869)
Income tax expense			(476)
Loss for the period			(60,345)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3B. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2020

	Sales of health and wellness products business HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue			
External sales	169,719	2,130	171,849
Inter-segment sales	4,905	—	4,905
Segment revenue	174,624	2,130	176,754
Elimination			(4,905)
Group revenue			171,849
Segment loss	(15,688)	(1,269)	(16,957)
Share of results of associates			(3,262)
Impairment losses on financial assets			(1,918)
Reversal of impairment losses on financial assets			15,834
Unallocated administrative expenses			(14,218)
Other gains and losses, net			(2,591)
Bank interest income			102
Finance costs			(19,089)
Loss before tax			(42,099)
Income tax expense			(274)
Loss for the period			(42,373)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OTHER INCOME

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Bank interest income	168	102
Government grants (Note)	754	4,021
Sundry income	1,623	1,862
	2,545	5,985

Note: For the period ended 30 June 2021, the amount recognised represented subsidies from government authority received before period ended 30 June 2021, without any specific conditions attached to the grants.

For the period ended 30 June 2020, the Group recognised government grants of HK\$880,000 in respect of COVID-19-related subsidies, related to Retail Sector Subsidy Scheme provided by Hong Kong government. The remaining amount recognised represented subsidies from government authority received before period ended 30 June 2020, without any specific conditions attached to the grants.

5. OTHER GAINS AND LOSSES, NET

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Gain on disposal of property, plant and equipment	21	—
Loss on fair value change on financial assets at fair value through profit or loss (“FVTPL”)	(3,438)	(8,137)
Impairment loss on property, plant and equipment (Note 11)	(24,349)	—
Gain on disposal of a lease	—	153
Net exchange (loss)/gain, net	(800)	1,201
Covid-19 related rent concessions (Note 11)	575	4,192
Others	(508)	—
	(28,499)	(2,591)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. FINANCE COSTS

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interest on:		
Bank borrowings	1,444	2,852
Other borrowings	845	445
Convertible bonds (Note 19)	16,015	14,513
Leases	1,165	1,279
	19,469	19,089

7. LOSS BEFORE TAX

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Loss before tax has been arrived at after charging:		
Cost of inventories recognised as an expense	95,234	63,847
Impairment losses on property, plant and equipment (Note 11)	24,349	—
Impairment losses on inventories	482	—
Depreciation of property, plant and equipment	7,188	9,025
Depreciation of right-of-use assets	20,431	20,992
Short-term leases expenses	6,071	1,020
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from the leased retail shops)/licence fee	17,709	18,995

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. INCOME TAX EXPENSE

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Current tax expense:		
Hong Kong Profits Tax	—	96
Macau Complementary Income Tax	—	165
Malaysian Corporate Income Tax	—	13
The PRC Enterprise Income Tax	928	—
	928	274
Over-provision of taxation in prior years:		
Hong Kong Profits Tax	(452)	—
	476	274

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

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

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

9. DIVIDENDS

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2021 (for six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. LOSS PER SHARE

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

	Unaudited for the six months ended	
	30 June 2021	30 June 2020
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company	(60,009)	(42,033)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	349,261	349,261

Note: The computation of diluted loss per share for both interim periods 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of HK\$4,497,000 (for the six months ended 30 June 2020: HK\$2,516,000).

On 14 April 2021, as disclosed in Note 16, all the leasehold land and buildings of the Group were transferred from property, plant and equipment to assets classified as held for sale upon approval of board resolution in respect of the letter of intent of disposal of KK VII (BVI) Limited and KK VIII (BVI) Limited (the “Target Companies”), wholly-owned subsidiaries of the Company. The carrying amount of the leasehold land and buildings on the date of transfer amounting to HK\$246,642,000 were based on the fair value less cost of disposal with reference to the consideration. An impairment loss on property, plant and equipment of HK\$24,349,000 is recognised in profit or loss included in other gains and losses, net for the six months ended 30 June 2021. On 30 June 2021, the board of directors of the Company passed a resolution to approve the conditional sale and purchase agreement to dispose of the Target Companies.

During the current interim period, the Group entered into leases for the use of buildings for two to three years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$16,659,000 (for the six months ended 30 June 2020: HK\$5,662,000) of right-of-use assets and HK\$16,554,000 (for the six months ended 30 June 2020: HK\$5,662,000) of lease liabilities.

During the current interim period, lessors of the relevant retail stores provided rent concessions to the Group through rent reductions ranging from 9% to 60% (for the six months ended 30 June 2020: 6% to 100%) of original lease payment over 1 to 6 months (for the six months ended 30 June 2020: 1 to 6 months).

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$575,000 (for the six months ended 30 June 2020: HK\$4,192,000) were recognised in other gains and losses, net.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. INVESTMENTS IN ASSOCIATES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Cost of investments, unlisted	57,470	57,470
Share of post-acquisition losses	(40,327)	(37,669)
Exchange adjustments	(2,065)	(2,167)
	15,078	17,634
Less: Provision for impairment	(7,350)	(7,350)
	7,728	10,284

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL comprise:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Financial assets mandatorily measured at FVTPL		
Unlisted equity interest in a fund – TBRJ Fund I L.P.	–	–
Unlisted equity security – 重慶格洛博電子商務有限公司	2,871	5,701
Listed equity investments in Hong Kong	–	1,529
Listed equity investments in United States	–	191
	2,871	7,421
Represented by:		
Current assets	–	1,720
Non-current assets	2,871	5,701
	2,871	7,421

14. INVENTORIES

All inventories represent finished goods held for resale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	53,526	56,014
Bills receivable	360	2,186
Prepayments	9,630	9,200
Other receivables, net of expected credit loss	23,548	22,028
	87,064	89,428

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 days to 90 days to the corporate customers.

For trading business:

The Group granted credit period from 30 days to 60 days to customers of trading.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–30 days	29,751	29,528
31–60 days	15,163	17,885
61–90 days	6,486	7,479
Over 90 days	2,126	1,122
	53,526	56,014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–30 days	120	830
31–60 days	—	771
61–90 days	—	—
Over 90 days	240	585
	360	2,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Disposal of Target Companies

On 14 April 2021, the board of directors of the Company passed a resolution to approve the letter of intent from potential purchaser to dispose of the Target Companies (as defined in Note 11). The assets and liabilities of the Target Companies were classified as assets/liabilities classified as held for sale. On 30 June 2021, the board of directors of the Company passed a resolution to approve the conditional sale and purchase agreement to dispose of the Target Companies.

On 30 June 2021, Tempus (BVI) Properties Investment Limited (the “Vendor”), a direct wholly-owned subsidiary of the Company, Yi Feng Development Limited (the “Purchaser”), an independent third party and the Company (the “Guarantor”) entered into a conditional sale and purchase agreement which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Companies and all such sum of money due and owing by the Target Companies to the Vendor as at completion, for a consideration of HK\$250,000,000 subject to adjustments under certain conditions.

The major classes of asset and liability comprising the disposal group classified as held for sale are as follows:

	HK\$'000 (Unaudited)
Assets	
Leasehold land and buildings	246,642
Other receivables, prepayment and deposits	267
Cash and bank balance	52
Assets of a disposal group classified as held for sale	246,961
Current liabilities	
Other payables	57
Liabilities directly associated with assets classified as held for sale	57
Net assets directly associated with disposal group after fair value adjustment	246,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	41,361	47,056
Accruals	18,312	19,455
Others (Note)	34,001	16,721
	93,674	83,232

Note: As at 30 June 2021, other payables included a deposit received for disposal of the Target Companies (as disclosed in Note 11) amounting to HK\$25,000,000.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–30 days	17,160	27,764
31–60 days	15,797	10,769
61–90 days	6,765	3,739
Over 90 days	1,639	4,784
	41,361	47,056

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Secured bank loans	178,214	180,128
Other borrowings	16,526	16,526
	194,740	196,654
Carrying amount of the above borrowings that are repayable:		
On demand and within one year	128,026	128,026
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
Within one year	3,870	3,881
In more than one year but not more than two years	3,925	3,934
In more than two years but not more than five years	12,115	12,129
More than five years	46,804	48,684
	66,714	68,628
	194,740	196,654
Less: Amounts due within one year shown under current liabilities	(194,740)	(196,654)
Amounts shown under non-current liabilities	—	—

As at 30 June 2021, the bank borrowings of the Group are at variable interest rate and the weighted average effective interest rate is 1.38% – 1.93% (31 December 2020: 2.28% – 2.72%) per annum.

The other borrowings bear fixed interest rate at 8% – 11% (31 December 2020: 8%) per annum. The other borrowings are unsecured.

During the current interim period, the Group repaid bank borrowings amounting to HK\$1,914,000 (six months ended 30 June 2020: HK\$1,660,000). Besides, the Group repaid other borrowings amounting to HK\$nil (six months ended 30 June 2020: HK\$21,807,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BANK AND OTHER BORROWINGS *(Continued)*

The Group's convertible bonds together with interest payable amounting to approximately HK\$190 million (31 December 2020: HK\$189 million) as at 30 June 2021 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 19, this event constituted events of default under certain bank borrowings. As a consequence, bank borrowings with carrying amount of approximately HK\$67 million as at 30 June 2021 (31 December 2020: HK\$69 million), 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. As at the date of this interim report, the Group has discussed with the bank in respect of the repayment of loan. Save as aforesaid, no remedies in respect of the cross-defaults have been agreed with the bank up to the date of this interim report.

19. CONVERTIBLE BONDS

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

On 15 May 2018, the Company entered into a subscription agreement (the "Agreement A") with the CBs holder. Pursuant to the Agreement A, the CBs holder 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 of the Company, Mr. Zhong Baisheng. The CB 2018A was issued to the CBs holder on 1 June 2018 and was due 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 CBs holder has the right to convert the CB 2018A in whole into shares at the maturity date. Upon full conversion, 67,510,549 new shares would be issued 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.

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 consider that it has technically triggered an EOD under the Conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. CONVERTIBLE BONDS *(Continued)*

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

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. As at 30 June 2021, the interest accrued by the Group after default amounting to HK\$51,125,000 (31 December 2020: HK\$38,648,000). The Group partially settled HK\$74,392,000 after the maturity date of CB 2018A of which HK\$15,500,000 was settled during the period ended 30 June 2021. As at 30 June 2021, the principal amount outstanding together with accrued interest of CB 2018A amounted to HK\$145,085,000 (31 December 2020: HK\$148,108,000).

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 CBs holder. Pursuant to the Agreement B, the CBs holder 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 of the Company, Mr. Zhong Baisheng. The CB 2018B was issued to the CBs holder on 16 October 2018 and was due 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.

The CBs holder has the right to convert the CB 2018B in whole into shares at the maturity date. Upon full conversion, 23,510,971 new shares would be issued 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.

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 accrued 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. As at 30 June 2021, the interest accrued by the Group after default amounting to HK\$13,071,000 (31 December 2020: HK\$9,533,000). As at 30 June 2021, the principal amount outstanding together with accrued interest of CB 2018B amounted to HK\$44,899,000 (31 December 2020: HK\$41,361,000).

On 27 August 2021, the Company entered into the Deed with the CBs holder for the debt restructuring. For details of the Deed, please refer to Note 1 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. CONVERTIBLE BONDS *(Continued)*

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

	Debt component HK\$'000
As at 1 January 2021 (audited)	189,469
Interest charged	16,015
Redemption of convertible bonds	(15,500)
As at 30 June 2021 (unaudited)	189,984

20. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid		
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	349,260,800	3,492,608
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Presented as	27,231	27,231

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21. PLEDGE OF ASSETS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Leasehold land and buildings		
– included in property, plant and equipment	–	272,500
– included in assets classified as held for sale	246,642	–
Financial assets at fair value through profit or loss		
– listed equity investments	–	394
Pledged bank deposits	1,418	1,418
	248,060	274,312

In addition, certain of the Group's lease liabilities are secured by the lessor's charge over the motor vehicles with carrying values of HK\$36,000 as at 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS

(a) Related Party balances

The balance of amount with immediate holding company/an intermediate holding company/ultimate holding company is unsecured, interest-free and repayable on demand and is disclosed in the condensed consolidated statement of financial position. In the opinion of the directors of the Company, the amount due to immediate holding company/an intermediate holding company/ultimate holding company is expected to be settled within twelve months from the end of the reporting period.

(b) Compensation of key management personnel

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

	Unaudited for the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Fee	259	250
Salaries and other benefits	4,018	3,767
Retirement benefits scheme contributions	36	36
Share-based payments	—	—
	4,313	4,053

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. SHARE-BASED PAYMENTS

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

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.

As at 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,900,000 (31 December 2020: 19,600,000), representing approximately 2.83% (31 December 2020: 5.61%) of the shares of the Company in issue at that date.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. SHARE-BASED PAYMENTS *(Continued)*

Details of the share options are as follows:

Date of grant	No. of share options granted	Exercise period	Exercise price
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		

Notes: (a) The option vested immediately on the date of grant.

(b) The options are vested upon the fulfilment of certain performance targets to the grantees including financial targets of the Group and individual performance targets for certain periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. SHARE-BASED PAYMENTS *(Continued)*

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

Date of grant	Outstanding at 1 January 2021	Lapsed during the period	Outstanding at 30 June 2021
26 January 2017	8,700,000	(8,700,000)	—
16 April 2018	10,900,000	(1,000,000)	9,900,000
	19,600,000	(9,700,000)	9,900,000
Exercisable at the end of the period	1,960,000	(970,000)	990,000
Weighted average exercise price	HK\$2.00		HK\$2.13

No share options were granted or exercised during the six months ended 30 June 2021.

The Group had not recognised any remuneration expenses in the staff cost for the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30 June 2021	31 December 2020			
	HK\$'000 (Unaudited)	HK\$'000 (Audited)			
Financial assets at FVTPL (Listed equity securities)	—	1,720	Level 1	Quoted bid prices in an active market	N/A
Financial assets at FVTPL (Unlisted equity securities)	2,871	5,701	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, at 3 percent (31 December 2020: 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 2 to 8 percent (31 December 2020: from 2 to 12 percent). Weighted average cost of capital ("WACC"), 19 percent (31 December 2020: 19 percent).
Financial assets at FVTPL (Unlisted equity interest in a fund)	—	—	Level 3	31 December 2020: Adjusted net assets approach 31 December 2020: The summation method was used to value the assets and liabilities of the fund.	31 December 2020: Fair value of assets and liabilities of the fund.

Note: There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. 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 measurements of financial assets and financial liabilities

	Financial assets at FVTPL HK\$'000
At 1 January 2020 (audited)	22,972
Fair value change recognised in profit or loss	(8,137)
At 30 June 2020 (unaudited)	14,835
At 1 January 2021 (audited)	5,701
Fair value change recognised in profit or loss	(2,830)
At 30 June 2021 (unaudited)	2,871

The total gains or losses for the period relating to financial assets and financial liabilities that are measured at fair value at the end of each reporting period are included in "other gains and losses, net".

Sensitivity analysis

Financial assets at FVTPL

At 30 June 2021, if the long-term revenue growth rate had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the period would decrease by HK\$20,000/increase by HK\$22,000, as a result of changes in fair value of the financial assets at FVTPL. If the long-term pre-tax operating margin had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the period would decrease by HK\$233,000/increase by HK\$233,000, as a result of changes in fair value of the financial assets at FVTPL. If the WACC had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the period would increase by HK\$213,000/decrease by HK\$240,000, as a result of changes in fair value of the financial assets at FVTPL.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS *(Continued)*

Fair value measurements and valuation processes

The board of directors of the Company determine the appropriate valuation technique and inputs for fair value measurements.

As at 30 June 2021, the valuation of financial assets at FVTPL was estimated by the management.

As at 31 December 2020, in estimating the fair value of an asset or a liability, the Group engaged third party qualified valuers to perform the valuation of financial assets at FVTPL. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair values of the asset are disclosed above.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 1 June 2021 in relation to debt restructuring, the Company received a notice from the CBs holder informing the Company of its agreement in principle to the Proposal. As disclosed in the announcement of the Company dated 27 August 2021, the Company entered into the Deed with the CBs holder. For further details of the Proposal and the Deed, please refer to Note 1 to the condensed consolidated financial statements.