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TEMPUS

騰邦控股

TEMPUS HOLDINGS LIMITED

騰邦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 06880)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

PERFORMANCE HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 was approximately HK\$241.5 million, representing an increase of approximately 40.5% as compared with revenue of approximately HK\$171.8 million for the six months ended 30 June 2020.
- Gross profit for the six months ended 30 June 2021 was approximately HK\$127.3 million, representing an increase of approximately 43.5% as compared with gross profit of approximately HK\$88.7 million for the six months ended 30 June 2020.
- Loss for the six months ended 30 June 2021 was approximately HK\$60.3 million, while the loss for the six months ended 30 June 2020 was approximately HK\$42.4 million.
- No interim dividend is declared for the six months ended 30 June 2021.

INTERIM RESULTS

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 for the Period are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

**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	3	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			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		2,299	(2,682)
Total comprehensive loss for the period		(58,046)	(45,055)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	11	24,874	298,450
Right-of-use assets	11	51,250	55,080
Investments in associates		7,728	10,284
Financial assets at fair value through profit or loss		2,871	5,701
Utility and other deposits paid		4,680	4,976
		91,403	374,491
		91,403	374,491
Current assets			
Inventories		34,500	35,606
Trade, bills and other receivables	12	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		—	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	13	246,961	—
		246,961	—
		489,821	260,484
Current liabilities			
Trade and other payables	14	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	15	194,740	196,654
Convertible bonds	16	189,984	189,469
		524,414	520,475
Liabilities associated with assets classified as held for sale	13	57	—
		57	—
		524,471	520,475

		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Net current liabilities		<u>(34,650)</u>	<u>(259,991)</u>
Total assets less current liabilities		<u>56,753</u>	<u>114,500</u>
Non-current liabilities			
Lease liabilities		<u>23,750</u>	<u>23,451</u>
NET ASSETS		<u>33,003</u>	<u>91,049</u>
Capital and reserves			
Share capital	17	27,231	27,231
(Deficit)/reserves		<u>(21,259)</u>	<u>36,676</u>
Equity attributable to owners of the Company		5,972	63,907
Non-controlling interests		<u>27,031</u>	<u>27,142</u>
TOTAL EQUITY		<u>33,003</u>	<u>91,049</u>

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, 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 15. 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 16. 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 acting 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 announcement 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.

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 followings:

- (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 there respective liabilities and obligations in connection with the right of CBs Holder to enforce the Bonds related documents. As at the date of this announcement, 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;

- (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 13; 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 obligations as and when they fall due 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.

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.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sales related taxes, and trading and distribution of consumer products during the Period.

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

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

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

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

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	—	—	—
	<hr/>	<hr/>	<hr/>
Segment revenue	<u>241,415</u>	<u>113</u>	241,528
Elimination			<hr/>
Group revenue			<u>241,528</u>
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			<hr/> (19,469)
Loss before tax			(59,869)
Income tax expense			<hr/> (476)
Loss for the period			<u>(60,345)</u>

For the six months ended 30 June 2020

	Sales of health and wellness products business <i>HK\$'000</i> <i>(Unaudited)</i>	Trading business <i>HK\$'000</i> <i>(Unaudited)</i>	Total <i>HK\$'000</i> <i>(Unaudited)</i>
Revenue			
External sales	169,719	2,130	171,849
Inter-segment sales	4,905	—	4,905
	<u>174,624</u>	<u>2,130</u>	<u>176,754</u>
Segment revenue	<u>174,624</u>	<u>2,130</u>	176,754
Elimination			<u>(4,905)</u>
Group revenue			<u>171,849</u>
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			<u>(19,089)</u>
Loss before tax			(42,099)
Income tax expense			<u>(274)</u>
Loss for the period			<u>(42,373)</u>

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

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

4. OTHER INCOME

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

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	30 June
	2021	2020
	HK\$'000	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 (<i>Note 11</i>)	(24,349)	—
Gain on disposal of a lease	—	153
Net exchange (loss)/gain, net	(800)	1,201
Covid-19 related rent concessions (<i>Note 11</i>)	575	4,192
Others	(508)	—
	<u>(28,499)</u>	<u>(2,591)</u>

6. FINANCE COSTS

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

7. LOSS BEFORE TAX

	Unaudited for the six months ended	
	30 June	30 June
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 (<i>Note 11</i>)	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
	<u>17,709</u>	<u>18,995</u>

8. INCOME TAX EXPENSE

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

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

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

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 HK\$'000	30 June 2020 HK\$'000
Loss		
Loss for the period attributable to owners of the Company	<u>(60,009)</u>	<u>(42,033)</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>349,261</u>	<u>349,261</u>

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.

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 13, 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 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.

12. TRADE, BILLS AND OTHER RECEIVABLES

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(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
	<u>87,064</u>	<u>89,428</u>

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	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(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
	<u>53,526</u>	<u>56,014</u>

13. 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 the Target Companies (as defined in Note 11). The assets and liabilities of the Target Companies were classified as a 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:

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

14. TRADE AND OTHER PAYABLES

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

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 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (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
	<u>41,361</u>	<u>47,056</u>

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

15. 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	<u>16,526</u>	<u>16,526</u>
	<u>194,740</u>	<u>196,654</u>
Carrying amount of the above borrowings that are repayable:		
On demand and within one year	<u>128,026</u>	<u>128,026</u>
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	<u>46,804</u>	<u>48,684</u>
	<u>66,714</u>	<u>68,628</u>
	194,740	196,654
Less: Amounts due within one year shown under current liabilities	<u>(194,740)</u>	<u>(196,654)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>—</u>

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 16, 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 announcement, 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 announcement.

16. 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.

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).

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

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

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.

17. SHARE CAPITAL

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

18. PLEDGE OF ASSETS

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

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
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	<u>1,418</u>	<u>1,418</u>
	<u>248,060</u>	<u>274,312</u>

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.

19. 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.

FINANCIAL HIGHLIGHTS

	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 (times)	0.9	0.5	0.4
Gearing ratio (%)	66.2	60.8	5.4
Inventories turnover days (days)	55.5	62.8	(7.3)
Trade receivables turnover days (days)	41.0	65.0	(24.0)
Trade payables turnover days (days)	70.0	89.6	(19.6)

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.

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

	Six months ended 30 June 2021		Six months ended 30 June 2020		Changes	
	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i>	<i>%</i>
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	<u>241,415</u>	<u>100.0</u>	<u>169,719</u>	<u>100.0</u>	<u>71,696</u>	<u>42.2</u>

(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	<u>148</u>	<u>155</u>	<u>154</u>

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.

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 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	
	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i>	<i>%</i>
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	<u>241,528</u>	<u>100.0</u>	<u>171,849</u>	<u>100.0</u>	<u>69,679</u>	<u>40.5</u>

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.

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.

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.

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 13 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.

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 preorganization (the “**Event**”). So far as the Board is aware, as at the date of this announcement, 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.

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 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 announcement, 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 announcement, 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 announcement. The Group continues to seek appropriate investment opportunities which are in line with the Group’s strategy.

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 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 November 2011 (the “Share Option Scheme”) for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. On 26 January 2017 and 16 April 2018, the Group granted 23,420,000 share options (Lot 1) and 34,986,000 share options (Lot 2) under the Share Option Scheme at the exercise prices of HK\$1.84 per share and HK\$2.13 per share to certain Directors, senior management and selected employees of the Group. During the Period, no share options have been granted under the Share Option Scheme. Movements of the outstanding share options granted under the Share Option Scheme during the Period are as follows:

	Balance as at 1 January 2021	Share options granted	Share options exercised	Share options lapsed	Balance as at 30 June 2021
Lot 1	8,700,000	—	—	(8,700,000)	—
Lot 2	10,900,000	—	—	(1,000,000)	9,900,000
Total	<u>19,600,000</u>	<u>—</u>	<u>—</u>	<u>(9,700,000)</u>	<u>9,900,000</u>

Note: All share options granted under Lot 1 expired as at 25 January 2021.

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.

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 cord provision A.5.1 of the CG Code. Pursuant to code provision A.5.1 of the CG Code, 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 with effect from 1 December 2020, 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 of the Company. 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.

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 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 RESULTS 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.

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.

EXTRACT OF THE DRAFT REVIEW REPORT BY MOORE STEPHENS CPA LIMITED ON THE GROUP'S INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 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.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is required to be published on the websites of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.tempushold.com, respectively. The interim report of the Company for the Period will be despatched to the shareholders of the Company and published on the Stock Exchange's and the Company's websites in due course.

By Order of the Board
Tempus Holdings Limited
Zhong Baisheng
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhong Yiming, Mr. Yip Chee Lai, Charlie, Mr. Wang Xingyi and Mr. Sun Yifei; one non-executive Director, namely Mr. Zhong Baisheng; and three independent non-executive Directors, namely Mr. Li Qi, Mr. Wong Kai Hing and Mr. Cheng Tsz Lok.

* *for identification purposes only*