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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 CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

References are made to (i) the announcement of Tempus Holdings Limited (the “**Company**”) dated 25 March 2022 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Results Announcement**”); and (ii) the announcements of the Company dated 15 March 2022 and 31 March 2022 in relation to the delay in publication of audited annual results announcement of the Group for the year ended 31 December 2021 (the “**2021 Annual Results**”).

AUDITOR’S AGREEMENT ON THE 2021 ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that on 13 April 2022, the Company has obtained the agreement from the Company’s auditor, Moore Stephens CPA Limited, on the 2021 Annual Results, including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto as set out in the 2021 Results Announcement. There were no material differences in the 2021 Annual Results compared with the financial results of the Group published in the 2021 Results Announcement.

The Board is pleased to present the 2021 Annual Results together with comparative figures for the year ended 31 December 2020 as follows:

HIGHLIGHTS

- Revenue for the year ended 31 December 2021 was approximately HK\$460.7 million, representing an increase of approximately 14.2% as compared with revenue of approximately HK\$403.4 million for the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 was approximately HK\$220.9 million, representing an increase of approximately 9.0% as compared with gross profit of approximately HK\$202.7 million for the year ended 31 December 2020.
- Loss for the year ended 31 December 2021 was approximately HK\$74.6 million, while that for the year ended 31 December 2020 was approximately HK\$81.4 million.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	460,682	403,407
Cost of sales		<u>(239,783)</u>	<u>(200,698)</u>
Gross profit		220,899	202,709
Other income	4	7,315	15,977
Other gains and losses, net	5	(28,071)	(30,366)
Reversal of impairment losses on financial assets		638	21,724
Impairment losses on financial assets		(100)	(1,554)
Share of results of associates		(3,484)	(5,174)
Selling and distribution expenses		(188,997)	(168,185)
Administrative expenses		(66,766)	(76,174)
Finance costs	6	<u>(14,637)</u>	<u>(38,906)</u>
Loss before tax	7	(73,203)	(79,949)
Income tax expense	8	<u>(1,432)</u>	<u>(1,439)</u>
Loss for the year		<u>(74,635)</u>	<u>(81,388)</u>
Other comprehensive income/(loss) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		6,606	12,023
Reclassification of cumulative translation reserve upon deregistration of a subsidiary		<u>(382)</u>	<u>—</u>
		<u>6,224</u>	<u>12,023</u>
Total comprehensive loss for the year		<u>(68,411)</u>	<u>(69,365)</u>

	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to:		
Owners of the Company	(74,545)	(82,192)
Non-controlling interests	(90)	804
	<u>(74,635)</u>	<u>804</u>
	<u>(74,635)</u>	<u>(81,388)</u>
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	(69,094)	(71,854)
Non-controlling interests	683	2,489
	<u>(68,411)</u>	<u>2,489</u>
	<u>(68,411)</u>	<u>(69,365)</u>
Loss per share	<i>10</i>	
Basic and diluted (<i>HK\$</i>)	<u>(0.21)</u>	<u>(0.24)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	25,839	298,450
Right-of-use assets	<i>11</i>	52,369	55,080
Investments in associates		7,048	10,284
Financial assets at fair value through profit or loss		—	5,701
Deferred tax assets		208	—
Utility and other deposits paid		4,487	4,976
Pledged bank deposits		978	—
		<hr/>	<hr/>
		90,929	374,491
		<hr/>	<hr/>
Current assets			
Inventories		36,565	35,606
Trade, bills and other receivables	<i>12</i>	77,227	89,428
Utility and other deposits paid		16,452	13,749
Tax recoverable		—	37
Financial assets at fair value through profit or loss		—	1,720
Pledged bank deposits		441	1,418
Bank balances and cash		110,539	118,526
		<hr/>	<hr/>
		241,224	260,484
		<hr/>	<hr/>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>13</i>	75,780	83,232
Contract liabilities		17,321	16,105
Amount due to ultimate holding company		39	51
Amount due to an intermediate holding company		73	131
Amount due to immediate holding company		549	600
Lease liabilities		32,075	33,241
Tax payable		2,053	992
Bank and other borrowings — due within one year	<i>14</i>	16,526	196,654
Convertible bonds	<i>15</i>	20,484	189,469
		<u>164,900</u>	<u>520,475</u>
Net current assets/(liabilities)		<u>76,324</u>	<u>(259,991)</u>
Total assets less current liabilities		<u>167,253</u>	<u>114,500</u>
Non-current liabilities			
Convertible bonds	<i>15</i>	120,965	—
Lease liabilities		22,476	23,451
		<u>143,441</u>	<u>23,451</u>
NET ASSETS		<u>23,812</u>	<u>91,049</u>
Capital and reserves			
Share capital	<i>16</i>	27,231	27,231
(Deficit)/reserves		(31,244)	36,676
(Deficit)/equity attributable to owners of the Company		(4,013)	63,907
Non-controlling interests		27,825	27,142
TOTAL EQUITY		<u>23,812</u>	<u>91,049</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which includes all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

Going concern

During the year ended 31 December 2021, the Group reported a net loss of HK\$74,635,000 (2020: HK\$81,388,000). Besides, the Group should settle convertible bonds of HK\$35,294,000 on or before 3 February 2023 and HK\$35,294,000 on or before 3 February 2024, details of which please refer to Note 15. If the Company fails to fully comply with the Deed (as defined in Note 15) and duly and punctually fulfil any of its obligation under the Deed or breaches any undertakings under the Deed, the convertible bonds holder (the “**CBs holder**”) will have the right to request immediate repayment of the original aggregated outstanding amount of approximately HK\$197,450,000 with interest and penalty interest less amounts already settled and reserves all of its right and remedies available under the relevant bonds documents. These conditions indicate the existence of material uncertainty that cast significant doubt on the Group’s ability to continue as 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 have adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following:

- (i) The Group had settled of HK\$56 million convertible bonds according to the settlement schedule of the Deed and there is no breach of any provisions of the Deed by the Company up to the date when the consolidated financial statements are authorised to issue;
- (ii) The Directors will continue to monitor the Company’s compliance with its obligations and undertakings under the Deed;
- (iii) The Group plans to continue to realise part of its assets to reduce its overall business risk, and obtain additional working capital, meanwhile, the Company will study the possibilities of replenishing its working capital by active fundraising; and
- (iv) The Group will be able to generate sufficient operating cashflows to meet its current and future obligations.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The 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 the application of revised HKFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 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 year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

Amendments to HKAS 9, HKAS 39, and HKAS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of these amendments has had no material impact on the Group's financial positions and performance for the current and prior years.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 year.

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, research and development of health and wellness related products

Trading business — Trading and distribution of consumer products

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

For the year ended 31 December 2021

	Sales of health and wellness products business HK\$'000	Trading business HK\$'000	Total HK\$'000
Total segment revenue	460,530	152	460,682
Recognised at a point in time	460,530	152	460,682
Recognised over time	—	—	—
Inter-segment sales	—	—	—
Segment revenue from external customers	<u>460,530</u>	<u>152</u>	<u>460,682</u>
Segment profit/(loss)	2,992	(2,402)	590
Share of results of associates			(3,484)
Reversal of impairment losses on financial assets			638
Impairment losses on financial assets			(100)
Unallocated administrative expenses			(28,537)
Other gains and losses, net			(28,071)
Bank interest income			398
Finance costs			<u>(14,637)</u>
Loss before tax			(73,203)
Income tax expense			<u>(1,432)</u>
Loss for the year			<u><u>(74,635)</u></u>

For the year ended 31 December 2020

	Sales of health and wellness products business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	399,864	3,543	403,407
Recognised at a point in time	399,864	3,543	403,407
Recognised over time	—	—	—
Inter-segment sales	—	—	—
Segment revenue from external customers	<u>399,864</u>	<u>3,543</u>	<u>403,407</u>
Segment profit/(loss)	6,481	(3,408)	3,073
Share of results of associates			(5,174)
Reversal of impairment losses on financial assets			21,724
Impairment losses on financial assets			(1,554)
Unallocated administrative expenses			(29,110)
Other gains and losses, net			(30,366)
Bank interest income			364
Finance costs			<u>(38,906)</u>
Loss before tax			(79,949)
Income tax expense			<u>(1,439)</u>
Loss for the year			<u><u>(81,388)</u></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 for 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.

Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u>86,996</u>	<u>51,369</u>

Customer A contributed revenue from sales of health and wellness products.

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Repair income	1,714	1,836
Delivery income	275	376
Bank interest income	398	364
Warranty income	234	227
Rental income	89	664
Government grant (<i>Note</i>)	3,807	10,986
Sundry income	<u>798</u>	<u>1,524</u>
	<u>7,315</u>	<u>15,977</u>

Note: The amount of HK\$3,807,000 recognised for the years ended 31 December 2021 (2020: HK\$5,084,000) represented subsidies from government authority received before the end of the reporting period, without any specific conditions attached to the grants.

During the year ended 31 December 2020, the Group recognised government grants of HK\$5,902,000 in respect of COVID-19-related subsidies, related to Employment Support Scheme and Retail Sector Subsidy Scheme provided by the Hong Kong government.

5. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on fair value change of financial assets at fair value through profit or loss	(6,315)	(14,164)
Gain on disposal/write-off of property, plant and equipment	114	—
Loss on disposal of subsidiaries	(4,145)	—
Impairment loss on property, plant and equipment (<i>Note 11</i>)	(20,195)	(16,409)
Covid-19 related rent concessions	940	7,252
Net exchange gain/(loss)	3	(6,893)
Recovery of deposits written-off in prior years	1,179	—
Others	348	(152)
	<u>(28,071)</u>	<u>(30,366)</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank borrowings	2,344	5,502
Other borrowings	1,769	1,020
Convertible bonds (<i>Note 15</i>)	7,980	29,965
Leases	2,544	2,419
	<u>14,637</u>	<u>38,906</u>

7. LOSS BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Auditor's remuneration		
— Audit service	1,500	1,500
— Other service	750	1,257
	<u>2,250</u>	<u>2,757</u>
Cost of inventories recognised as an expense	194,744	151,893
Impairment losses on inventories	1,531	622
Impairment loss on property, plant and equipment (<i>Note 11</i>)	20,195	16,409
Depreciation of property, plant and equipment	11,996	17,054
Depreciation of right-of-use assets	39,602	41,815
Short-term leases expenses	9,065	7,773
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from the leased retail shops)	1,369	592
License fee	31,894	33,776
Staff costs:		
— Fee, salaries and other benefits (including directors' remuneration)	119,675	98,159
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	14,167	8,958
— Share-based payment expenses	933	—
	<u>134,775</u>	<u>107,117</u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax expense:		
Macau Complimentary Income Tax	119	699
Malaysian Corporate Income Tax	—	15
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	819	—
Singapore Corporate Income Tax	1,394	—
	<u>2,332</u>	<u>714</u>
(Over)/under-provision of taxation in prior years:		
Hong Kong Profits Tax	(452)	(270)
Macau Complimentary Income Tax	(215)	(361)
Malaysian Corporate Income Tax	(45)	—
PRC EIT	—	103
Singapore Corporate Income Tax	20	—
	<u>(692)</u>	<u>(528)</u>
Deferred tax (credit)/charged	<u>(208)</u>	1,253
	<u>1,432</u>	<u>1,439</u>

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

The Macau Complimentary Income Tax is calculated at 12% of the estimated assessable profit for both years exceeding Macanese Pataca 600,000.

Taxable income of the subsidiary in Malaysia is subject to corporate income tax at the rate of 24% of taxable income for both years.

Taxable income of the subsidiary in Singapore is subject to corporate income tax at the rate of 17% of taxable income for both years.

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

9. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021 (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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u>(74,545)</u>	<u>(82,192)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
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 the year ended 31 December 2021 and 2020 does not assume the exercise of the Company's share option because the exercise price of those share option 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 year, the Group acquired property, plant and equipment of HK\$9,914,000 (2020: HK\$6,306,000).

On 30 June 2021, Tempus (BVI) Properties Investment Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, Yi Feng Development Limited (the "**Purchaser A**"), an independent third party, and the Company as the guarantor, entered into a conditional sale and purchase agreement (the "**S&P I**"), pursuant to which Vendor has conditionally agreed to sell and the Purchaser A has conditionally agreed to purchase the entire issued share capital of KK VII (BVI) Limited (the "**Target Company A**") and KK VIII (BVI) Limited (the "**Target Company B**") (collectively, the "**Target Companies**"), and all such sum of money due and owing by the Target Companies to Vendor as at completion of the transaction, for a cash consideration of HK\$250,254,000. The disposal of Target Companies was completed on 29 October 2021 in accordance with the terms and conditions of the S&P I. As at the date of completion, the carrying amount of property, plant and equipment held by the Target Companies amounted to HK\$250,796,000. An impairment loss on property, plant and equipment of HK\$20,195,000 was recognised during the year ended 31 December 2021 (2020: HK\$16,409,000).

During the current year, the Group entered into leases for the use of buildings for one month to six years. The Group is required to make fixed monthly payments.

12. TRADE, BILLS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	47,026	56,014
Bills receivable	1,224	2,186
Prepayments	7,778	9,200
Other receivables, net of expected credit losses	21,199	22,028
	<u>77,227</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 to 90 days to the corporate customers.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	25,755	29,528
31–60 days	16,870	17,885
61–90 days	2,713	7,479
Over 90 days	1,688	1,122
	<u>47,026</u>	<u>56,014</u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	39,329	47,056
Accruals	19,328	19,455
Others	17,123	16,721
	<u>75,780</u>	<u>83,232</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	32,205	27,764
31–60 days	6,506	10,769
61–90 days	127	3,739
Over 90 days	491	4,784
	<u>39,329</u>	<u>47,056</u>

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

14. BANK AND OTHER BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank loans	—	180,128
Other borrowings	<u>16,526</u>	<u>16,526</u>
	<u>16,526</u>	<u>196,654</u>
Carrying amount of the above borrowings that are repayable:		
On demand and within one year	—	111,500
Within one year	<u>16,526</u>	<u>16,526</u>
	<u>16,526</u>	<u>128,026</u>
Carrying amount of bank and other borrowings that contains a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
Within one year	—	3,881
In more than one year but not more than two years	—	3,934
In more than two years but not more than five years	—	12,129
More than five years	<u>—</u>	<u>48,684</u>
	<u>—</u>	<u>68,628</u>
	16,526	196,654
Less: Amounts due within one year shown under current liabilities	<u>(16,526)</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\$189,469,000 as at 31 December 2020 were repayable on demand since the Group and its guarantor failed to settle the principal and interest on the maturity date of the convertible bonds (which was 30 May 2019), and as disclosed in Note 15, this event constituted events of default under certain bank borrowings. As a consequence, bank borrowings with carrying amount of approximately HK\$68,628,000 as at 31 December 2020, 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.

During the year ended 31 December 2021, the secured bank loans were fully settled.

15. 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, an independent third party. 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, Mr. Zhong Baisheng. The CB 2018A was issued to the CBs holder on 1 June 2018 and would be 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 considers that it has technically triggered an EOD under the Conditions.

Further, the Group and its guarantor failed to fully settle the outstanding principal amount of HK\$162,752,000 together with accrued interest of HK\$5,600,000 of CB 2018A on 30 May 2019. During the year ended 31 December 2020, the interest accrued by the Group recognised in profit or loss after default amounting to HK\$23,656,000. The Group partially settled HK\$58,892,000 after the maturity date of CB 2018A of which HK\$11,000,000 was settled during the year ended 31 December 2020. As at 31 December 2020, the outstanding principal amount together with accrued interest of CB 2018A amounted to 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, Mr. Zhong Baisheng. The CB 2018B was issued to the CBs holder on 16 October 2018 and would be 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 became 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 outstanding principal amount of HK\$30,516,000 together with accrued interest of HK\$1,312,000 of CB 2018B on 30 May 2019. No repayment has been made by the Group after the maturity date up to 31 December 2020. During the year ended 31 December 2020, the interest accrued by the Group recognised in profit or loss after default amounting to HK\$6,309,000. As at 31 December 2020, the outstanding principal amount together with accrued interest of CB 2018B amounted to HK\$41,361,000.

On 23 March 2021, the Company received a letter from the CBs holder demanding repayment of the outstanding amount of the convertible bonds amounting to approximately HK\$194,661,000 (the “**Debt**”). According to the demand letter, the Company had 3 weeks after receiving this demand letter to repay the Debt. After the expiry of the 3 weeks’ period, the CBs holder may present a winding-up petition against the Company.

On 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 of HK\$144,000,000 (the “**Settlement Amount**”). Pursuant to the Deed, the aggregated outstanding amount of CB 2018A and CB 2018B was HK\$197,450,000. If the Company fails to fully comply with the Deed and duly and punctually fulfil any of its obligation under the Deed or breaches any undertakings under the Deed, the CBs holder reserves any and all of its rights and remedies available under the relevant bonds documents.

Pursuant to the settlement schedule of the Deed, the Company shall repay and settle the Settlement Amount in following manner:

- (i) The Company shall repay a portion of the Settlement Amount in the sum of HK\$56,000,000 (“**Part I Cash Settlement Amount**”) to the CBs holder in four instalments during the year ended 31 December 2021.

- (ii) Subject to (a) the Company's full payment of the Part I Cash Settlement Amount in accordance with the Deed, and (b) having obtained all necessary internal and regulatory approvals, the Company shall allot and issue shares (the "**Settlement Shares**") to the CBs holder on or before 31 January 2022. The price of per Settlement Shares shall be 85% of the average of the closing prices per share for the 15 consecutive trading days immediately prior to the date on which the Company has made full payment of the Part I Cash Settlement Amount (the "**Share Settlement Price**"). The number of Settlement Shares to be allotted by the Company and issued to the CBs holder shall be the nearest integral number determined by dividing HK\$44,000,000 by the Share Settlement Price, provided that (i) the total number of Settlement Shares shall represent no more than 20% of the total issued share capital of the Company as enlarged by the allotment and issue of the Settlement Shares, and (ii) the total number of Settlement Shares to be held by the CBs holder, together with any other shares held by it or parties acting in concert with it, as enlarged by the allotment and issue of the Settlement Shares shall not trigger a mandatory general offer under the Codes on Takeover and Mergers. In the event that either of the aforementioned events may be triggered, the number of the Settlement Shares shall be such highest possible integral number without triggering either of the aforementioned events. The amount of indebtedness deemed to have been repaid by the Company under the Agreement A and Agreement B shall be determined by multiplying the number of Settlement Shares by the Share Settlement Price (the "**Shares Settlement Amount**").
- (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 instalments. The first instalment is 50% of the Part II Cash Settlement Amount on or before the 1st anniversary of the shares settlement date which is no later than three (3) business days after 31 January 2022 or any other date as agreed between the CBs holder and the Company (the "**Shares Settlement Date**") and the second instalment is the remaining 50% of the Part II Cash Settlement Amount on or before the 2nd anniversary of the Shares Settlement Date.

In addition, in the event that the total sum of the Part I Cash Settlement Amount, the Part II Cash Settlement Amount, and the net sales proceeds to be received by the CBs holder provided that the CBs holder subsequently disposes the Settlement Shares (collectively, the "**Relevant Amount**"), exceed the Settlement Amount, the CBs holder shall pay 80% of the difference between the Relevant Amount and the Settlement Amount to the Company within five (5) business days upon such receipt.

During the year ended 31 December 2021, the Group repaid HK\$56,000,000 to the CBs holder according to the settlement schedule of the Deed.

On 28 December 2021, the Company entered into the subscription agreement with the CBs holder (the "**Subscription Agreement**"), pursuant to which the CBs holder has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on or before 31 January 2022 (the "**Long Stop Date**"), 87,315,200 ordinary shares of the Company (the "**Subscription Share**") at the subscription price of HK\$0.19941 per Subscription Share. On 13 January 2022, the Company obtained consent from the CBs holder to extend the Long Stop Date to 28 February 2022. Upon the completion of the subscription, the carrying amount of convertible bonds shall reduce by HK\$20,484,000. The subscription was completed on 4 February 2022.

Pursuant to the settlement schedule of the Deed, the first instalment of the Part II Cash Settlement Amount of HK\$35,294,000 is repayable on or before 3 February 2023 and the second instalment of the Part II Cash Settlement Amount of HK\$35,294,000 is repayable on or before 3 February 2024. Subject to the Company's due and punctual fulfilment of its obligations and undertakings under the Deed including repayment of the Settlement Amount, the remaining balance of the convertible bonds will be waived by the CBs holder and accounted for as extinguishment.

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

	Derivative Component <i>HK\$'000</i>	Debt Component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	—	170,504	170,504
Interest charged	—	29,965	29,965
Redemption of convertible bonds	—	(11,000)	(11,000)
At 31 December 2020 and 1 January 2021	—	189,469	189,469
Interest charged	—	7,980	7,980
Redemption of convertible bonds	—	(56,000)	(56,000)
Transfer	20,484	(20,484)	—
At 31 December 2021	20,484	120,965	141,449

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amount due within one year shown under current liabilities	20,484	189,469
Amount due after one year shown under non-current liabilities	120,965	—
	141,449	189,469

16. 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, 1 January 2021 and 31 December 2021	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	349,260,800	3,492,608

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Presented as	<u>27,231</u>	<u>27,231</u>

17. PLEDGE OF ASSETS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Leasehold land and buildings		
— included in property, plant and equipment	—	272,500
Financial assets at fair value through profit or loss		
— listed equity investments	—	394
Pledged bank deposits	<u>1,419</u>	<u>1,418</u>
	<u>1,419</u>	<u>274,312</u>

In addition, certain of the Group's lease liabilities are secured by the lessor's charge over the leased assets with carrying values of HK\$751,000 as at 31 December 2021 (2020: HK\$36,000).

18. EVENTS AFTER THE REPORTING PERIOD

Outbreak of the 5th wave novel coronavirus in Hong Kong (the "5th Wave COVID-19 outbreak")

Since the 5th Wave COVID-19 outbreak in early 2022, the Board has been closely monitoring the Group's exposure to the risks and uncertainties in connection with the 5th Wave COVID-19 outbreak. The Hong Kong market is one of the primarily markets of the Group. Due to the 5th Wave COVID-19 outbreak, various governmental control measures have been implemented in Hong Kong in combating the 5th Wave COVID-19 outbreak. The number of customers visiting the shopping malls has been significantly reduced, which may lead to a decrease in the sales and the revenue of the Group to some extent. Given the dynamic nature of these circumstances, the degree of impact of the 5th Wave COVID-19 outbreak on the Group's business and financial performance remains to be ascertained.

Share subscription completed on 4 February 2022

On 28 December 2021, as disclosed in Note 15, the Company entered into the Subscription Agreement with the CBs holder. All conditions precedent to the Subscription Agreement has been fulfilled and the completion took place on 4 February 2022 in accordance with the terms and conditions of the Subscription Agreement. A total of 87,315,200 Subscription Shares have been allotted and issued to the CBs holder pursuant to the terms of the Subscription Agreement, at the subscription price of HK\$0.19941 (“**Subscription Price**”) per Subscription Share. Pursuant to the deed of set off executed by the CBs holder and the Company on 28 December 2021 (the “**Deed of Set Off**”) which further provides for the mechanism for setting off the consideration for the subscription of the Subscription Shares at Subscription Price against the Shares Settlement Amount in accordance with the Deed, the parties agree that the CBs holder shall set off the Shares Settlement Amount out of the outstanding Settlement Amount against the CBs holder’s obligation to settle the consideration under the Subscription Agreement. Upon completion of the aforesaid subscription on 4 February 2022, the Settlement Amount has been reduced by approximately HK\$17,412,000.

For details, please refer to the Company’s announcements dated 27 August 2021, 28 December 2021, 26 January 2022 and 4 February 2022 and the circular of the Company dated 14 January 2022.

Arbitration proceeding involving controlling shareholders

On 4 March 2022, the Company received a notification from Tempus Holdings (Hong Kong) Limited (“**Tempus HK**”), a controlling shareholder of the Company that it had been served with a notice of arbitration issued by the Shenzhen Court of International Arbitration (the “**Notice**”) and other relevant documents (the “**Relevant Documents**”), in relation to financial loan contracts dispute (the “**Dispute**”) involving Industrial and Commercial Bank of China Limited Shenzhen Dongmen Branch* (中國工商銀行股份有限公司深圳東門支行) (“**ICBC Shenzhen Dongmen Branch**”) which was subsequently changed to China Cinda Asset Management Co., Ltd Shenzhen Branch Company* (中國信達資產管理股份有限公司深圳市分公司) (“**Cinda Asset Management Shenzhen Branch**”) as applicant (the “**Applicant**”) due to the loan assignment from ICBC Shenzhen Dongmen Branch to Cinda Asset Management Shenzhen Branch and, among others, Tempus Logistics Group Holding Ltd., Tempus Group Co., Ltd, Tempus HK, as well as Mr. Zhong Baisheng, the chairman, a non-executive director and controlling shareholder of the Company, as respondents (the “**Respondents**”). Pursuant to the Relevant Documents, the Applicant alleged that Tempus Logistics Group Holding Ltd. failed to repay principal amount and interests, penalty, compound interests of several loans (as calculated up to 19 January 2021) with a total amount of approximately RMB1.65 billion and the other Respondents acted as guarantors responsible for relevant repayment obligation. The Applicant further alleged, among other things, that the Applicant (i) has the right to the share pledge over 201,543,092 shares of the Company owned by Tempus HK (the “**Share Pledge**”); (ii) is entitled to enforce the Share Pledge; and (iii) has the priority in the proceeds of such sale under the Share Pledge.

A designated arbitration tribunal conducted its first hearing on the Dispute on 20 February 2022 (the “**Hearing**”) and the Notice was served and only came to the attention of Tempus HK after the Hearing because the correspondence address of Tempus HK has been changed and the original arbitration notice failed to reach Tempus HK in a timely manner. No arbitral award has been granted in respect of the Dispute as at the date of this announcement.

The Company confirms that up to the date of this announcement, so far as the Board is aware, the aforesaid arbitration proceeding has no material adverse impact on the business and general operation of the Group.

For details, please refer to the Company’s announcement dated 7 March 2022.

FINANCIAL HIGHLIGHTS

	2021	2020	Changes
Profitability data (HK\$'000)			
Revenue	460,682	403,407	14.2%
Gross profit	220,899	202,709	9.0%
Loss before tax	(73,203)	(79,949)	(8.4%)
Loss after tax for the year	(74,635)	(81,388)	(8.3%)
Loss per share — basic and diluted (HK\$)	(0.21)	(0.24)	0.03
Gross profit margin	48.0%	50.2%	(2.2 ppt)
Loss before tax margin	(15.9%)	(19.8%)	3.9 ppt
Dividend per share (HK cents)			
— final dividend	—	—	N/A

	As at 31 December		Changes
	2021	2020	
Assets and liabilities data (HK\$'000)			
Bank balances and cash	110,539	118,526	(6.7%)
Bank and other borrowings	16,526	196,654	(91.6%)
Net current assets/(liabilities)	76,324	(259,991)	129.4%
Total assets less current liabilities	167,253	114,500	46.1%

Assets and working capital ratios/data			
Current ratio (<i>times</i>)	1.5	0.5	1.0
Gearing ratio (%)	47.6	60.8	(13.2)
Inventories turnover days (<i>days</i>)	54.9	62.8	(7.9)
Trade receivables turnover days (<i>days</i>)	40.8	65.0	(24.2)
Trade payables turnover days (<i>days</i>)	65.7	89.6	(23.9)

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 year
Trade receivables turnover days	Average of beginning and ending trade receivables balances/Revenue x number of days in the year
Trade payables turnover days	Average of beginning and ending trade payables balances/Cost of sales x number of days in the year

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year 2021, the Company successfully reached the debt restructuring agreement with the CBs holder in respect of an outstanding amount of the convertible bonds amounting to approximately HK\$197,450,000. On 27 August 2021 and on 28 December 2021, the Company entered into the Deed and the Subscription Agreement with the CBs holder, respectively. As disclosed in Note 15 to the consolidated financial statements of the Company above, the Company made full payment of the Part I Cash Settlement Amount HK\$56,000,000 to CBs holder during the year, and the subscription of shares by the CBs holder pursuant to the Deed was also completed on 4 February 2022. Upon the completion of aforesaid subscription by the CBs holder, the CBs holder became a substantial shareholder of the Company which held approximately 20.0% of the issued share capital of the Company, and the Settlement Amount was reduced by approximately HK\$17,412,000. In addition, pursuant to the Deed, (a) although the aggregated outstanding amount of convertible bonds was approximately HK\$197,450,000 (the “**Aggregated Outstanding Amount**”), the CBs holder and the Company has 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 convertible bonds related documents other than those already included in the Settlement Amount and the Company should repay and settle the Settlement Amount of HK\$144,000,000, while the difference between the Aggregated Outstanding Amount and the Settlement Amount shall be waived by the CBs holder upon the Company fully honored its obligations and undertakings under the Deed, (b) in addition, in the event that the total sum of (i) the Part I Cash Settlement Amount, (ii) the Part II Cash Settlement Amount, and (iii) the net sales proceeds to be received by the CBs holder provided that the CBs holder subsequently disposes the Settlement Shares (collectively, the “**Relevant Amount**”), exceed the Settlement Amount, the CBs holder shall pay 80% of the difference between the Relevant Amount and the Settlement Amount to the Company within five (5) business days upon such receipt. The Directors will continue to monitor and ensure the Company’s due performance of its obligations and undertakings under the Deed to fully discharge its indebtedness owed to the CBs holder so the liquidity position of the Company can be further strengthened.

In 2021, the Group's revenue was HK\$460.7 million, increased by 14.2% as compared with that of HK\$403.4 million for the year ended 31 December 2020. The increase in revenue was mainly due to the impact of the novel coronavirus 2019 pandemic (the "COVID-19 Pandemic") that alleviated during the year 2021 compared to the year 2020. The business environment in Mainland China, Macau, Singapore and Hong Kong generally resumed to normal in year 2021. The Group's overall revenue for the year recorded a moderate growth compared with year 2020, although OTO Malaysia had to shut down its retail outlets and its operations during the first half of year 2021 due to the impact of COVID-19 Pandemic. As mentioned above, in regard to the debt restructuring with the CBs holder, since there was no breach of any provisions of the Deed by the Company as at 31 December 2021, therefore, no further interest and default interest (as applicable) accrued from 1 May 2021 to 31 December 2021. The interest on convertible bonds decreased by approximately HK\$22.0 million for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, in total, the finance costs decreased by approximately HK\$24.3 million for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020. Moreover, the administrative expenses decreased by approximately HK\$9.4 million as compared to that for the year ended 31 December 2020. However, such increase in revenue and decrease in financial costs and administrative expenses were partially offset by (i) a small amount of approximately HK\$0.6 million of impairment losses on financial assets was reversed for the year ended 31 December 2021, as compared to the reversal of impairment losses on financial assets of approximately HK\$21.7 million for the year ended 31 December 2020; (ii) the decrease in other income of approximately HK\$8.7 million for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which was mainly attributable to the non-occurrence of wage subsidies from the Hong Kong Government's Employment Support Scheme and subsidies from the Retail Sector Subsidy Scheme under the Hong Kong Government's Anti-epidemic Fund, and (iii) the increase in selling and distribution expenses of approximately HK\$20.8 million for the year ended 31 December 2021 as compared to the year ended 31 December 2020. The Group therefore recorded a loss of HK\$74.6 million for the year ended 31 December 2021, as compared with loss of HK\$81.4 million for the year ended 31 December 2020.

SALES OF HEALTH AND WELLNESS PRODUCTS BUSINESS

For the year ended 31 December 2021, sales of massage chairs/other massage and fitness/diagnostics products were HK\$436.3 million and HK\$24.2 million, respectively, representing 94.7% and 5.3% of the Group's segment revenue from the sales of health and wellness products business respectively. The Group launched a total of 31 new products, generating revenue of HK\$47.6 million, representing 10.3% of the Group's segment revenue from the sales of health and wellness products business.

Sales Channels

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

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

	2021		2020		Changes	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>%</i>
Retail outlets	256,835	55.8	231,775	58.0	25,060	10.8
Roadshow counters	14,427	3.1	21,776	5.4	(7,349)	(33.8)
Corporate sales	127,283	27.6	93,328	23.3	33,955	36.4
International sales	19,111	4.2	16,727	4.2	2,384	14.3
Internet sales	42,874	9.3	36,258	9.1	6,616	18.3
Total	<u>460,530</u>	<u>100.0</u>	<u>399,864</u>	<u>100.0</u>	<u>60,666</u>	<u>15.2</u>

(i) Traditional sales channels

The Group's revenue generated from traditional sales channels was HK\$256.8 million in 2021, representing 55.8% of the Group's segment revenue from the sales of health and wellness products business, and an increase of 10.8% as compared to HK\$231.8 million in 2020. The increase in revenue was due to the diminished impact of the COVID-19 Pandemic resulting from anti-epidemic measures implemented by the various governments, and the market has relatively recovered compared with year 2020. As at 31 December 2021, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at	
	31 December 2021	31 December 2020
Mainland China	116	118
Hong Kong and Macau	23	23
Singapore and Malaysia	8	14
Total	<u>147</u>	<u>155</u>

Retail business in Mainland China

As at 31 December 2021, the Group operated 116 retail outlets (2020:118) in Mainland China, mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei regions and Chengdu. During the year, the revenue contributed by retail business in Mainland China was HK\$109.8 million, representing an increase of 18.7% as compared to HK\$92.5 million in 2020. The increase in revenue by the retail business was attributed to the gradually controlled COVID-19 Pandemic under the strong leadership of the PRC central government with efficient measures. In general, the domestic economy and retail businesses in Mainland China have recovered consistently during the year 2021.

Retail business in Hong Kong and Macau

As at 31 December 2021, the Group maintained 23 retail outlets (2020:23) in Hong Kong and Macau. During the year, the revenue contributed by the retail business in the region was HK\$102.5 million, representing a decrease of 5.8% as compared to HK\$108.8 million in 2020. The decrease in revenue was due to the ongoing impact of COVID-19 Pandemic, the region imposed strict travel restrictions for tourists, which kept big-spending tourists away and left the region's retail sales to be driven by local consumers, but local consumers were cautious and tight with spending throughout 2021.

Retail business in Singapore and Malaysia

As at 31 December 2021, the Group operated 8 retail outlets (2020: 14) in Singapore and Malaysia. During the year, the revenue contributed by retail business in the region was HK\$44.5 million, representing an increase of 46.4% as compared to HK\$30.4 million in 2020.

Despite the shutdown of OTO Malaysia's retail outlets and operations during the first half year of 2021 due to impact of COVID-19 Pandemic, 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.

(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 33.8% in revenue from roadshow counters was mainly due to the impact of COVID-19 Pandemic, and its associated social distancing requirements including the limits on number of persons and capacity in public areas. Such 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 36.4% in revenue from corporate sales was mainly brought by sales to a sizable retail chain store in Mainland China through its active promotion and expansion during the year.

International sales of the Group are generated by the export of the Group's health and wellness products to its international distributors or wholesalers for their distributions in overseas markets such as Eastern Europe and the Middle East. The increase of 14.3% in revenue generated from international sales was mainly due to exports made to larger numbers of clients in the Europe and Middle Eastern markets during the year.

The Group's internet sales represent the sales through an online group-buying platform and the sales through its online stores at major business-to-customer shopping platforms such as the Tmall (天貓). The COVID-19 Pandemic has stimulated continuous online shopping behaviors, which is the main reason to record a growth of 18.3% in revenue from internet sales.

TRADING BUSINESS

The Group's trading business represents trading of goods such as personal consumables. During the year, the revenue generated from trading business was HK\$0.15 million, representing 0.03% of the revenue generated from operations of the Group. The 95.7% decrease in revenue generated from trading business as compared to HK\$3.5 million for the year ended 31 December 2020 was mainly due to the relatively inactive trading business segment during the year 2021. In 2021, the Group ceased most trading business to avoid potential losses, including high credit risk, longer payback period and low profit margin. The Group is exploring trading of goods with higher profit margin.

RESULTS OF OPERATION

Revenue

Revenue represents the income from sales of health and wellness products and trading of consumer products. In 2021, the Group's revenue increased by 14.2% to HK\$460.7 million from HK\$403.4 million in 2020. The increase was mainly attributable to the increase in revenue of 15.2% generated from sales of health and wellness products business.

	2021		2020		Changes	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>%</i>
Sales of health and wellness products	460,530	99.97	399,864	99.1	60,666	15.2
Trading	152	0.03	3,543	0.9	(3,391)	(95.7)
Total	<u>460,682</u>	<u>100.0</u>	<u>403,407</u>	<u>100.0</u>	<u>57,275</u>	<u>14.2</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 2021 was HK\$239.8 million, representing an increase of 19.5% from HK\$200.7 million for 2020. The increase in sales cost was mainly due to the increase in cost of sales of health and wellness products, which was in line with the increase of the revenue of the same segment.

Gross profit

The gross profits for 2021 and 2020 were HK\$220.9 million and HK\$202.7 million respectively. The gross profit margins for 2021 and 2020 were 48.0% and 50.2% respectively. The gross profit margins remained stable during the year with a slight decrease of 2.2 ppt compared to year 2020, which was mainly due to the costs incurred by more discounted sales in the sales of health and wellness product segment in 2021 compared with the previous year.

Other income

Other income for 2021 was HK\$7.3 million, mainly comprised of repair income of HK\$1.7 million, government grant of HK\$3.8 million and sundry income of HK\$0.8 million. Other income for 2020 was HK\$16.0 million, mainly comprised of rental income of HK\$0.7 million, government grant of HK\$11.0 million and sundry income of HK\$1.5 million.

Other gains and losses, net

Other gains and losses, net for 2021 was a loss of HK\$28.1 million, mainly composed of a loss on fair value change of financial assets at fair value through profit or loss of HK\$6.3 million, a loss on disposal of the subsidiaries of HK\$4.1 million and an impairment loss on property, plant and equipment of HK\$20.2 million. Other gains and losses, net for 2020 was a loss of HK\$30.4 million, mainly comprising a loss on fair value change of financial assets at fair value through profit or loss of HK\$14.2 million and impairment loss on property, plant and equipment of HK\$16.4 million.

Impairment losses/reversal of impairment losses on financial assets

Impairment losses on financial assets of HK\$0.1 million for 2021 (2020: HK\$1.6 million) mainly represented the impairment losses on other debtors.

A sum of HK\$0.6 million of impairment losses on financial assets which the Group recognised in 2019 was reversed in 2021, mainly represented by an amount due from an associate which was partially settled in 2021. A sum of HK\$21.7 million of impairment losses on financial assets which the Group recognised in 2019 was reversed in 2020, mainly represented by consideration receivables received from other debtors in 2020.

There was an impairment allowance amounting to HK\$29,100,000 which in relation to a loan agreement was recognised in 2019. Pursuant to a loan agreement dated 29 June 2017 (the “**Loan Agreement**”) entered into between the Group and an independent third party (the “**Borrower**”), the Group granted to the Borrower a revolving loan of HK\$30,000,000, which carries an interest rate at 10% per annum, and guaranteed by the Borrower’s shareholder and a company incorporated in Hong Kong (the “**Guarantors**”), and with an original maturity of three months, which can be revolved at a maximum of three times with three months each upon maturity. The Borrower and the Guarantors were primarily engaged in the tourism industry. On 19 June 2018, the parties entered into a supplemental loan agreement (together with the Loan Agreement, the “**Agreements**”), pursuant to which the Group extended the term under the Loan Agreement for one year, and the maturity date of the revolving loan was on 18 June 2019 with the interest rate adjusted upward to 12% per annum.

As at 31 December 2018, the carrying amount of the loan receivable was HK\$28,020,000 and the impairment allowance for the loan receivable amounted to HK\$1,980,000 was provided based on the financial position of the Borrower and the Guarantors, and the general prospect of the industry that the Borrower and the Guarantors operate. In 2019, the Borrower repaid HK\$900,000 of the principal.

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

As at the date of this announcement, the Group has a dispute with the Borrower regarding the outstanding principal amount and interest accrued thereunder, and the Borrower or the Guarantors failed to repay the principal of HK\$29,100,000 and outstanding interests incurred. As a result, in the opinion of the Directors, no reversal of impairment is considered necessary for the year ended 31 December 2020 and for the year ended 31 December 2021.

The Company filed an objection of deregistration of the Borrower to the Companies Registry of Hong Kong in 2020. During the year ended 31 December 2021, the Group issued demand letters for repayment for the outstanding principal and interest under the Agreements, and the Group shall consider further necessary action to recover the loan receivable including but not limited to taking legal proceedings against the Borrower and the Guarantors.

Share of results of associates

Share of results of associates for 2021 was a loss of HK\$3.5 million (2020: HK\$5.2 million), 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 are mainly comprised of costs of advertising and marketing as well as staff costs, which increased from HK\$168.2 million to HK\$189.0 million from year 2020 to 2021. The increase was mainly attributed to the increase in staff costs of HK\$23.0 million due to the increase in revenue generated from the health and wellness products segment, which is proportional to sales commissions paid to the staffs. In addition, under the various government imposed restrictions and lockdowns due to the outbreak of COVID-19 Pandemic in the first half of 2020, caused a temporary closure of retail outlets in the respective regions. Hence staff cost was lowered as less front-line staffs were required during that time. Also, social insurance premiums were temporarily reduced or exempted in 2020 due to the temporary support policy issued by the Ministry of Human Resources and Social Security of PRC in response to the impact of the COVID-19 Pandemic, which was also attributable to the lower staff costs in the year of 2020.

Administrative expenses

Administrative expenses mainly comprising staff costs and professional fees, decreased from HK\$76.2 million for 2020 to HK\$66.8 million for 2021. The decrease was primarily due to the decrease in legal and professional fees of HK\$2.9 million and depreciation on property, plant and equipment of HK\$4.9 million.

Finance costs

Finance costs decreased to HK\$14.6 million for 2021 from HK\$38.9 million for 2020. The significant decrease was mainly due to (i) the full settlement of bank loans in 2021; and (ii) as disclosed in Note 15 to the consolidated financial statements in this announcement, pursuant to the Deed, during the year 2021, as there was no breach of any provisions of the Deed by the Company, therefore, no further interest and default interest (as applicable) in relation to the convertible bonds of the Company issued in 2018 accrued from 1 May 2021 to 31 December 2021.

Loss before tax

As a result of the factors described above, the Group's loss before tax was HK\$73.2 million for 2021, as compared to the loss before tax of HK\$79.9 million for 2020.

Income tax expense

Income tax expense was HK\$1.4 million for both the years 2021 and 2020.

Loss for the year

As a result of the factors described above, the Group's loss for the year was HK\$74.6 million for 2021, as compared to that of HK\$81.4 million for 2020.

FINANCIAL POSITION

As at 31 December 2021, total equity of the Group was HK\$23.8 million (as at 31 December 2020: HK\$91.0 million). The decrease was mainly due to the loss for the year.

As at 31 December 2021, the Group's net current assets was HK\$76.3 million (net current liabilities as at 31 December 2020: HK\$260.0 million). The current ratio was 1.5 time as at 31 December 2021 (as at 31 December 2020: 0.5 time).

As at 31 December 2021, total non-current assets of the Group was HK\$90.9 million (as at 31 December 2020: HK\$374.5 million), while total current assets of the Group was HK\$241.2 million (as at 31 December 2020: HK\$260.5 million). The decreases in non-current assets were mainly due to the decrease in property, plant and equipment of HK\$272.6 million as the Group sold the properties owned by the Target Companies by the disposal of the entire issued share capital of the Target Companies, which was completed on 29 October 2021, and the decrease in financial assets at fair value through profit or loss of HK\$5.7 million, respectively. The decreases in current assets were mainly attributable to the decrease in trade, bills and other receivables of HK\$12.2 million, and the decrease in bank balances and cash of HK\$8.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had bank balances and cash of HK\$110.5 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, Macau, Singapore and 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\$28.6 million for 2021 (2020: HK\$76.9 million), primarily reflecting the operating cash inflows before movements in working capital of HK\$28.8 million, as adjusted by an increase of HK\$2.5 million in inventories, a decrease of HK\$12.0 million in trade, bills and other receivables and a decrease of HK\$7.5 million in trade and other payables.

Investing activities

Net cash generated from investing activities was HK\$61.7 million for 2021 (2020: HK\$26.0 million), primarily due to net cash inflow from disposal of subsidiaries of HK\$69.9 million which was offset by net cash outflow for purchases of property, plant and equipment of HK\$9.9 million.

Financing activities

Net cash used in financing activities was HK\$103.7 million for 2021 (2020: HK\$70.6 million), which was primarily due to repayments of convertible bonds of HK\$56.0 million and repayment of lease liabilities of HK\$41.2 million during the year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 December 2021 was HK\$158.0 million with effective interest rates ranging from 1.37% to 18% per annum. The Group's gearing ratio decreased by 13.2 ppt from 60.8% as at 31 December 2020 to 47.6% as at 31 December 2021, which was primarily due to increases in the repayment of the bank borrowings and convertible bonds during the year.

WORKING CAPITAL

As at 31 December 2021, the net positive working capital of the Group was HK\$76.3 million, which represented an increase of HK\$336.3 million or 129.4% as compared to the net negative working capital HK\$260.0 million as at 31 December 2020.

As at 31 December 2021, the Group's inventories increased by HK\$1.0 million to HK\$36.6 million from HK\$35.6 million as at 31 December 2020. The inventories turnover days were 54.9 days as at 31 December 2021 as compared with 62.8 days as at 31 December 2020. The decrease of 7.9 days in inventories turnover days were primarily due to improved inventories control.

As at 31 December 2021, the Group's trade receivables decreased by HK\$9.0 million, to HK\$47.0 million from HK\$56.0 million as at 31 December 2020. The trade receivables turnover days decreased to 40.8 days from 65.0 days as at 31 December 2020. The decreases were due to better control of collection of trade receivables during the year.

As at 31 December 2021, the Group's trade payables decreased by HK\$7.8 million to HK\$39.3 million from HK\$47.1 million as at 31 December 2020. The trade payables turnover days decreased by 23.9 days to 65.7 days from 89.6 days as at 31 December 2020. The decrease was mainly due to shorter settlement period to the suppliers during the year.

CAPITAL EXPENDITURE

During the year ended 31 December 2021, the Group's total capital expenditure amounted to HK\$9.9 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 December 2021, the Group had pledged two bank accounts with a total carrying value of HK\$1.4 million for the purpose of securing certain banking facilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

Disposal of the entire issued share capital of the Target Companies and related shareholder's loan

On 30 June 2021, Vendor entered into the S&P I with Purchaser A and the Company (as guarantor for the performance of the obligations of the Vendor under the S&P I), pursuant to which Vendor has conditionally agreed to sell, and Purchaser A 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 million subject to adjustments under certain conditions, with reference to the net tangible asset value of the Target Companies as at the completion date. The initial deposit of HK\$25 million was paid by the Purchaser A prior to the signing of the S&P I; a further deposit of HK\$20 million was paid by the Purchaser A on 16 July 2021; and the balance of the consideration, being HK\$205 million, as adjusted with reference to the net tangible asset value of the Target Companies as at completion date, was paid by the Purchaser A to the Group and to the banks for settlement of the bank borrowings of the Group respectively at completion date on 29 October 2021. The completion of the disposal of the Target Companies took place on 29 October 2021 in accordance with the terms and conditions of the S&P I. Upon completion, the Target Companies ceased to be the subsidiaries of the Company.

For details, please refer to the Company's announcements dated 14 April 2021, 11 June 2021, 30 June 2021, 13 September 2021, 15 October 2021 and 29 October 2021; and the circular of the Company dated 19 August 2021.

Disposal of the entire equity interest in Tempus (BVI) Investment Limited (the "Target Company C")

On 30 December 2021, the Company as the vendor entered into the sale and purchase agreement (the "S&P II") with Hong Kong Shenheng Electronic Communication Trade Co., Limited as the Purchaser (the "**Purchaser B**"), being an indirect subsidiary of Shenzhen Pingfeng Jewellery Limited* (深圳市平豐珠寶有限公司), which is the ultimate holding company of the Company. The Purchaser B is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the S&P II, the Company has conditionally agreed to sell, and the Purchaser B has conditionally agreed to acquire the entire issued share capital of Target Company C for a cash consideration of HK\$150,000. The consideration of HK\$150,000 was paid by the Purchaser B on 30 December 2021, and the completion of the disposal of the Target Company C took place on the same date. Upon Completion, the Target Company C ceased to be a subsidiary of the Company.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the disposal were less than 5% and the consideration is less than HK\$3,000,000, the disposal was fully exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

For details, please refer to the Company's announcement dated 30 December 2021.

Save as disclosed in this announcement, the Group did not have any other significant investment during the year ended 31 December 2021, and the Group did not have any material acquisition or disposal during the year ended 31 December 2021.

OTHER EVENTS DURING THE YEAR

Court Decision on Reorganization of Controlling Shareholders

On 11 March 2021, the Company received a notification from Tempus Group Co., Ltd.* (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.

On 16 December 2021, the Company was notified by Tempus Group and Tempus Logistics, the controlling shareholders of the Company, that after review of the Pre-reorganization, the Court, having considered the value and feasibility of the reorganization of Tempus Group and Tempus Logistics, decided that the application of Shenzhen Lianri Zhaoyao Management Consulting Limited* (深圳市聯日照耀管理諮詢有限公司) for the reorganization of Tempus Group and Tempus Logistics was disallowed. So far as the Board is aware, as at the date of this announcement, the aforesaid matters has no material impact to the business and general operations of the Group.

For details, please refer to the Company’s announcements dated 21 October 2020, 12 March 2021 and 17 December 2021.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Subscription of New Shares under Specific Mandate in relation to Debt Restructuring

On 28 December 2021, as disclosed in Note 15, the Company entered into the Subscription Agreement with the CBs holder. All conditions precedent to the Subscription Agreement has been fulfilled and the completion took place on 4 February 2022 in accordance with the terms and conditions of the Subscription Agreement. A total of 87,315,200 Subscription Shares have been allotted and issued to the CBs holder pursuant to the terms of the Subscription Agreement, at the Subscription Price of HK\$0.19941 per Subscription Share. The aggregate nominal value of these 87,315,200 Subscription Shares is US\$873,152.00. The net issue price is approximately HK\$0.19564 per Subscription Share. The closing price of the shares of the Company as quoted on the Stock Exchange on 28 December 2021, being the date of the Subscription Agreement, was HK\$0.217 per share. Pursuant to the deed of set off executed by the CBs holder and the Company on 28 December 2021 (the “**Deed of Set Off**”) which further provides for the mechanism for setting off the consideration for the subscription of the Subscription Shares at Subscription Price against the Shares Settlement Amount in accordance with the Deed, the parties agree that the CBs holder shall set off the Shares Settlement Amount out of the outstanding Settlement Amount against the CB holder’s obligation to settle the consideration under the Subscription Agreement. Upon completion of the aforesaid subscription on 4 February 2022, the Settlement Amount has been reduced by approximately HK\$17,412,000.

For details, please refer to the Company’s announcements dated 27 August 2021, 28 December 2021, 26 January 2022 and 4 February 2022 and the circular of the Company dated 14 January 2022.

Arbitration Proceeding involving Controlling Shareholders

On 4 March 2022, the Company received a notification from Tempus Holdings (Hong Kong) Limited (“**Tempus HK**”), a controlling shareholder of the Company that it had been served with a notice of arbitration issued by the Shenzhen Court of International Arbitration (the “**Notice**”) and other relevant documents (the “**Relevant Documents**”), in relation to financial loan contracts dispute (the “**Dispute**”) involving Industrial and Commercial Bank of China Limited Shenzhen Dongmen Branch* (中國工商銀行股份有限公司深圳東門支行) (“**ICBC Shenzhen Dongmen Branch**”) which was subsequently changed to China Cinda Asset Management Co., Ltd Shenzhen Branch Company* (中國信達資產管理股份有限公司深圳市分公司) (“**Cinda Asset Management Shenzhen Branch**”) as applicant (the “**Applicant**”) due to the loan assignment from ICBC Shenzhen Dongmen Branch to Cinda Asset Management Shenzhen Branch and, among others, Tempus Logistics Group Holding Ltd., Tempus Group Co., Ltd, Tempus HK, as well as Mr. Zhong Baisheng, the chairman, a non-executive director and controlling shareholder of the Company, as respondents (the “**Respondents**”). Pursuant to the Relevant Documents, the Applicant alleged that Tempus Logistics Group Holding Ltd. failed to repay principal amount and interests, penalty, compound interests of several loans (as calculated up to 19 January 2021) with a total amount of approximately RMB1.65 billion and the other Respondents acted as guarantors responsible for relevant repayment obligation. The Applicant further alleged, among other things, that the Applicant (i) has the right to the share pledge over 201,543,092 shares of the Company owned by Tempus HK (the “**Share Pledge**”); (ii) is entitled to enforce the Share Pledge; and (iii) has the priority in the proceeds of such sale under the Share Pledge.

A designated arbitration tribunal conducted its first hearing on the Dispute on 20 February 2022 (the “**Hearing**”) and the Notice was served and only came to the attention of Tempus HK after the Hearing because the correspondence address of Tempus HK has been changed and the original arbitration notice failed to reach Tempus HK in a timely manner. No arbitral award has been granted in respect of the Dispute as at the date of this announcement.

The Company confirms that up to the date of this announcement, so far as the Board is aware, the aforesaid arbitration proceeding has no material adverse impact on the business and general operation of the Group.

For details, please refer to the Company’s announcement dated 7 March 2022.

CONTINGENT LIABILITIES

Saved as disclosed in this announcement, the Group did not have any material contingent liabilities as at 31 December 2021 and 31 December 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 December 2021, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB29.1 million (equivalent to approximately HK\$35.6 million), in Singapore dollar of approximately SGD4.8 million (equivalent to approximately HK\$27.6 million), and in United States dollar of approximately US\$0.4 million (equivalent to approximately HK\$3.1 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 31 December 2021, the Group had a total number of 629 (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 the 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.

The employees in Singapore are members of the state-managed retirement benefit plan, the Central Provident Fund Board, operated by the Government of Singapore. The subsidiary established in Singapore is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 November 2011 (the “**2011 Share Option Scheme**”) for a term of 10 years commencing on the date of its adoption, which was expired on 25 November 2021. The Board has resolved to propose the adoption of the new share option scheme and the shareholders of the Company approved the adoption of the new share option scheme (the “**New Share Option Scheme**”) at the extraordinary general meeting held on 31 January 2022, which enabled the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. On 26 January 2017, 16 April 2018 and 23 November 2021, the Group granted 23,420,000 share options (Lot 1), 34,986,000 share options (Lot 2) and 29,688,000 share options (Lot 3), respectively, under the 2011 Share Option Scheme at the exercise prices of HK\$1.84 per share, HK\$2.13 per share and HK\$0.238 per share, respectively, to certain Directors, senior management, selected employees and consultancies of the Group.

During the year ended 31 December 2021, 29,688,000 share options was granted under the 2011 Share Option Scheme. Movements of the outstanding share options granted under the 2011 Share Option Scheme during the year ended 31 December 2021 are as follows:

	Balance as at 1 January 2021	Share options granted	Share options exercised	Share options lapsed	Balance as at 31 December 2021
Lot 1 (<i>Note</i>)	8,700,000	—	—	(8,700,000)	—
Lot 2	10,900,000	—	—	(1,000,000)	9,900,000
Lot 3	—	29,688,000	—	—	29,688,000
Total	<u>19,600,000</u>	<u>29,688,000</u>	<u>—</u>	<u>(9,700,000)</u>	<u>39,588,000</u>

Note: Share options granted expired as at 25 January 2021.

STRATEGIES AND PROSPECTS

During the year 2021, the Company reached a consensus with the CBs holder on debt restructuring and preliminarily solved the Debt crises. Through reorganizing the Group’s assets and liabilities, the Group realized its investment in the properties and used such proceeds to settle its mortgage, and bank loans, as well as the Part I Cash Settlement Amount under the Deed. The Group’s gearing ratio of 60.8% as at 31 December 2020 was decreased by 13.2% to 47.6% as at 31 December 2021. Also, after the completion of the Subscription Agreement and the Deed of Set Off with the CBs holder on 4 February 2022, which further reduced the debt owed to the CBs holder, the CBs holder became a substantial shareholder of the Company simultaneously.

In 2021, the business environment in Mainland China, Singapore, Hong Kong and Macau improved gradually throughout 2021 until the recent COVID-19 Omicron outbreak in certain regions. The Group's revenue increased by 14.2% as compared to the previous year. However, the erratic global COVID-19 Pandemic development and mutant variants continues to impact market development and economic recovery in general, so we expect the road to recovery to be unpredictable and will depend on extent of social distancing restrictions and effectiveness of measures relating to the containment of COVID-19 Pandemic.

Looking ahead, the Group will stay vigilant amidst these uncertainties on the road to recovery and will strive to expand its businesses with disciplined cost control and prudent risk management in 2022. The Group will continue to focus on its core business by attracting local consumers and enhancing customer engagement; as well as consolidating its resources and strengthening internal management to improve business performance. At the same time, the Company will study the possibility of strengthening financing activities to supplement the working capital of the Group. With the goal of achieving higher returns for its shareholders, the Group will also pay additional attention to the development and opportunities in the market, and devote to the exploration of new revenue streams.

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 of the Listing Rules throughout the year ended 31 December 2021, except the Code Provision A.5.1 (which has become mandatory requirements under Rule 3.27A of the Listing Rules with effect from 1 January 2022) of the CG Code. Pursuant to code provision A.5.1 of the CG Code (which has become mandatory requirements under Rule 3.27A of the Listing Rules with effect from 1 January 2022), 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 (“**INED**”) and comprises a majority of INEDs.

Mr. Han Biao resigned as an independent non-executive Director, the chairman of the Nomination Committee and of the Remuneration Committee and a member of the audit committee of the Company (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, each of 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 was in compliance with the requirements prescribed under code provision A.5.1 of the CG Code (which has become mandatory requirements under Rule 3.27A of the Listing Rules with effect from 1 January 2022) 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 independent 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 of the Listing Rules (including amendments as effected from time to time) as its code of conduct for securities transactions by the Directors. After enquiring 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 year ended 31 December 2021.

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 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 audited results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which suggested 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.

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 year ended 31 December 2021.

ANNUAL GENERAL MEETING

The Board resolved to propose to the shareholders of the Company (the “**Shareholders**”) in the forthcoming annual general meeting on Thursday, 26 May 2022 (the “**AGM**”).

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both dates inclusive), during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the forthcoming AGM to be held on Thursday, 26 May 2022 or any adjournment of such meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong by not later than 4:30 p.m. on Friday, 20 May 2022.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2021 as set out in this results announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021 as approved by the Board on 13 April 2022. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this 2021 Annual Results.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the Group's audited consolidated financial statements for the year ended 31 December 2021.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention in Note 1(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$74,635,000 for the year ended 31 December 2021. This condition, together with other matters disclosed in Note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL REPORT

As the auditing process of the 2021 Annual Results has been completed, the Company expects to publish its annual report for the year ended 31 December 2021 on or before 30 April 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 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 under “Listed Company Information” and the website of the Company at www.tempushold.com, respectively. The annual report of the Company for the year ended 31 December 2021 will be dispatched 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, 13 April 2022

* *for identification purposes only*

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