騰邦控股有限公司
Tempus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 06880

TEMPUS
騰邦控股

2021 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhong Baisheng *(Chairman)*

Independent non-executive Directors

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

COMPANY SECRETARY

Ms. Cheung Man Yin

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Mr. Wong Kai Hing *(Chairman)*
Mr. Li Qi
Mr. Cheng Tsz Lok

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Cheng Tsz Lok *(Chairman)*
Mr. Li Qi
Mr. Wong Kai Hing

AUTHORISED REPRESENTATIVES

Mr. Zhong Yiming
Mr. Sun Yifei

COMPANY WEBSITE

www.tempushold.com

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3602, 36/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

HONG KONG LEGAL ADVISER

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

PRINCIPAL BANKS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

INVESTOR RELATIONS

Ms. Li Huifang

STOCK CODE

06880

BOARD LOT

2,000 shares

CHAIRMAN'S STATEMENT

Dear Shareholders,

Throughout the year 2021, the world has continued its fight against the novel coronavirus 2019 pandemic (the "**COVID-19 Pandemic**"). Compared to the outbreak of the COVID-19 Pandemic in 2020, countries have gradually made a shift from continuous lockdowns to opening up in 2021, while economic activities have gradually resumed to normal. Unfortunately the emergence of various mutated COVID-19 variants has derailed the process of fully resuming to normal operations. In addition, with global trade tensions over the past few years, coupled with the recent Ukraine crisis, this has induced certain unpredictable factors in the global economy. Faced with such a series of disturbances and challenges, the Group (Tempus Holdings Limited, the "**Company**" and its subsidiaries, collectively, the "**Group**") will always uphold the belief of perseverance and tenacity to forge ahead and overcome difficulties.

There is no doubt that the year 2021 was a challenging one for the Group being able to emerge, achieve breakthroughs and move forward steadily. During 2021, the Group entered into the bonds restructuring deed with Wan Tai Investments Limited ("**Wan Tai**" or, the "**CBs holder**") in respect of the debt restructuring, which initially solved the debt crisis faced by the Group. Through reorganizing the Group's assets and liabilities, the Group realized its investment in properties during the year, settled its bank mortgage, bank loans, as well as the Part I Cash Settlement Amount (as defined hereinafter on page 6 of this annual report) under the bonds restructuring deed, thereby reducing the Group's debt burden and improving the Group's credit profile. Pursuant to the bonds restructuring deed, the completion of the subscription of shares in the Company by the CBs holder and the subsequent setting off pursuant to a deed of set off also took place on 4 February 2022. As a result, the Group's debts owed to the CBs holder were further reduced, and at the same time, the CBs holder became a substantial shareholder of the Company.

In 2021, thanks to the combined efforts of all employees, the Group's revenue was HK$460.7 million, representing an increase of 14.2% as compared to that of HK$403.4 million for the year ended 31 December 2020. The sales outlets of the Group are mainly located in Mainland China, Hong Kong, Macau and Singapore. During the year in those regions, the impact of the COVID-19 Pandemic alleviated compared to that in 2020, business environment experienced gradual improvement, 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. In general, the Group's overall revenue for the year recorded moderate growth as compared with 2020. During 2021, while the retail environment persevered with its ongoing fight against the COVID-19 Pandemic, OTO remained committed to innovations, with a view to excelling in product research, development and manufacturing, and seeking breakthroughs in products, marketing, channels and other aspects, so as to continuously satisfy the needs of customers. During the reporting period, OTO launched a number of new products including five new massage chairs, two back massage pads and foot massagers, all of which appealed greatly to consumers. The revenue from the sales of new products amounted to approximately HK$47.6 million for the year ended 31 December 2021.

In 2022, we will continue to look ahead and pursue our convictions. Despite the erratic global COVID-19 Pandemic development with mutant variants continuing to impact market development and economic recovery in general. Recently, the Hong Kong government implemented various control measures to combat the fifth wave of the COVID-19 Pandemic, and cities such as Shenzhen and Shanghai in the Mainland China, recently adopted the anti-Pandemic measures of compulsory testing for all of their citizens. These measures resulted in a significant decline in the number of customers visiting shopping malls, which may lead to a decrease in the Group's sales volume and revenue to a certain extent. However, the Group will stay vigilant against these uncertainties on the road to recovery. It will continue to focus on its core business in 2022, integrate resources, strengthen internal management, and strive to improve its operation performance. Meanwhile, the Group will pay more attention to development and opportunities in the market, endeavor to explore new revenue streams, and make every effort to expand its business with prudent risk management. The Group will also study the possibilities of replenishing its working capital by increasing financing activities, thereby enhancing the Group's liquidity ratio and being well-positioned to capture emerging opportunities when market expectations gradually recover, and preserve the funding for the repayment the outstanding debt when necessary. The Group will strive to seek progress while maintaining stable performance amid challenges and be poised to meet existing and new challenges. We remain convinced that victory belongs to the one with the most persevering.

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

Zhong Baisheng
Chairman and Non-executive Director
Hong Kong, 13 April 2022

BUSINESS REVIEW

During the year 2021, the Company successfully reached the debt restructuring agreement in respect of an outstanding amount of the convertible bonds amounting to approximately HK$197,450,000 with CBs holder. On 27 August 2021 and on 28 December 2021, the Company entered into the bonds restructuring deed (the "**Deed**") and the subscription agreement with the CBs holder (the "**Subscription Agreement**"), respectively. Pursuant to the Deed, the Company made full payment of HK$56,000,000 (the "**Part I Cash Settlement Amount**") to the CBs holder during the year of 2021, and the subscription of shares by the CBs holder pursuant to the Deed and the Subscription Agreement 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 (being HK$144,000,000 as agreed in the Deed) (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, (the "**Part II Cash Settlement Amount**", being the Settlement Amount less (a) the Part I Cash Settlement Amount and (b) the Shares Settlement Amount (as defined hereinafter on page 22 of this annual report)), and (iii) the net sales proceeds to be received by the CBs holder provided that the CBs holder subsequently disposes the Settlement Shares (as defined hereinafter on page 22 of this annual report) (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 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**	
		% of		*% of*		
	HK$'000	***revenue***	*HK$'000*	*revenue*	*HK$'000*	*%*
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	**460,530**	**100.0**	399,864	100.0	60,666	15.2

(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	**147**	155

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 People's Republic of China ("**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**	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*	*HK$'000*	*%*
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	**460,682**	**100.0**	403,407	100.0	57,275	14.2

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 annual report, 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 30 to the consolidated financial statements in this annual report, 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 KK VII (BVI) Limited (the "**Target Company A**") and KK VIII (BVI) Limited (the "**Target Company B**") (collectively, 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, 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 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. 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 "Tempus BVI")

On 30 December 2021, the Company as the vendor entered into the sale and purchase agreement (the "**S&P II**") with Hong Kong Shenhang 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）("**Pingfeng Jewellery**"), which is the ultimate holding company of the Company. The Purchaser B is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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 issue share capital of Tempus BVI 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 Tempus BVI took place on the same date. Upon completion, Tempus BVI 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 annual report, 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 annual report, 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, 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 ordinary shares of the Company (the “**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 (the “**Subscription Price**”) 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 as defined hereinafter on page 22 of this annual report 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 Hong Kong**"), 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, Tempus Group, Tempus Hong Kong, 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 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 Hong Kong (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 Hong Kong after the Hearing because the correspondence address of Tempus Hong Kong has been changed and the original arbitration notice failed to reach Tempus Hong Kong in a timely manner. No arbitral award has been granted in respect of the Dispute as at the date of this annual report.

The Company confirms that up to the date of this annual report, 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 annual report, 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 annual report. The Group continues to seek appropriate investment opportunities which are in line with the Group's strategy.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 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.

STRATEGIES AND PROSPECTS

During the year 2021, the Company reached a consensus with the CBs holder on debt restructuring and preliminarily solved the Debt (as defined hereinafter on page 21 of this annual report) 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, 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.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of the Company and its subsidiaries (collectively, the "**Group**") presents the annual report with the audited consolidated financial statements for the year ended 31 December 2021 (the "**Year**") together with the comparative figures for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in sales of health and wellness products and trading business. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the Year is set out in the sections of "Chairman's Statement" on page 4 of this annual report and "Management Discussion and Analysis" on page 6 of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 90 to 97 of this annual report.

The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: nil). No interim dividend was paid by the Company for the six months ended 30 June 2021 (2020: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as set out on page 200 of this annual report, is extracted from the audited consolidated financial statements.

DIVIDEND POLICY

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members 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 annual general meeting ("**AGM**") of the Company to be held on Thursday, 26 May 2022 or any adjournment of such meeting, all transfer forms of Shares accompanied by the relevant share certificates 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.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the Year are set out in note 31 to the consolidated financial statements of this annual report.

EQUITY-LINKED AGREEMENTS

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

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

The Company issued CB 2018A on 1 June 2018 with the aggregate 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 to Wan Tai which has the right to convert the CB 2018A into 67,510,549 new shares of the Company at the conversion price of HK$2.37 per share of the Company, the CB 2018A would be due on 30 May 2019 (the "**Agreement A**"). The purpose of the issue of the CB 2018A is to satisfy the needs of the Group's continual business development. The net proceeds were approximately HK$157,700,000 and was fully utilised for working capital, refinancing and general corporate purposes. The conversion option lapsed upon maturity of convertible bonds on 30 May 2019 and the Company did not redeem CB 2018A.

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

The Company issued CB 2018B on 16 October 2018 with the aggregate principal amount of HK$30,000,000 at an interest of 7% per annum and guaranteed by the non-executive Director, Mr. Zhong Baisheng to Wan Tai which has the right to convert the CB 2018B into 23,510,971 new shares of the Company at the conversion price of HK$1.276 per share of the Company, the CB 2018B would be due on 14 October 2019 (the "**Agreement B**"). The purpose of the issue of the CB 2018B is to satisfy the needs of the Group's continual business development. The net proceeds were approximately HK$29,500,000 and was fully utilised for investment, working capital, refinancing and general corporate purposes. The conversion option lapsed upon maturity of convertible bonds on 14 October 2019 and the Company did not redeem CB 2018B.

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 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. 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, the 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 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 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, 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**"), the Subscription Shares at the Subscription Price. 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.

Share options granted to directors and selected employees

Details of the share options granted in prior years are set out in "Share Options" section contained on pages 38 to 39 of this annual report. 29,688,000 share options were granted during the year ended 31 December 2021.

The computation of diluted loss per share for the years 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.

PURCHASE, SALE OR REDEMPTION OF THE 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.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 94 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, no reserves are available for distribution to shareholders of the Company.

DONATIONS

During the year ended 31 December 2021, the Company and its subsidiaries have not made any charitable donations.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the Cayman Islands where the Company was incorporated.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company due to their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 29 to the consolidated financial statements of this annual report. Bank borrowings repayable within one year or on demand are classified as current liabilities in the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's sales to its five largest customers accounted for approximately 30.4% of the Group's total sales and the Group's sales to its largest customer accounted for approximately 18.9% of the Group's total sales. The Group's five largest suppliers accounted for approximately 32.6% of the Group's total purchases, while the largest supplier for the Year accounted for approximately 10.9% of the Group's total purchases.

None of the Directors or their respective associates or, to the knowledge of the Directors, any of the shareholders who owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers during the Year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below:

Significant competition

The Group faces significant competition from both international and local players in each of the markets it operates. The Group's market position depends on its ability to diversify and differentiate its products or services and to anticipate changing customer preferences. Increased competition may result in price adjustments and narrowed gross profit margins.

Operational risks

The Group's operation is subject to a number of risk factors distinctive to trading related businesses. Default on the part of the Group's suppliers, customers, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of the Group's operation. In addition, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Risk with regard to trade receivables

The recoverability of trade receivables is essential to the Group's financial conditions due to its significance as a whole and the judgements associated with the assessment of the recoverability of trade receivables, which mainly depends on the current creditworthiness and the past collection history of each customer. There is no assurance that the Group will be able to collect and realise part or full amount of the trade receivables.

Liquidity risk arising from redemption of convertible bonds

The Group's convertible bonds together with interest payable as at 31 December 2021 amounted to approximately HK$141,449,000. Also, the Group had a short-term loan of approximately HK$16,526,000 from a borrower as at 31 December 2021. As disclosed in note 30 to the consolidated financial statements, on 27 August 2021, the Company entered into the Deed with the CBs holder. Pursuant to the Deed, the Group has to settle the first instalment of the Part II Cash Settlement Amount of HK$35,294,000 on or before 3 February 2023 and the second instalment of Part II Cash Settlement Amount of HK$35,294,000 on or before 3 February 2024. If the Company fails to fully comply with the Deed nor duly and punctually fulfils any of its obligations under the Deed, or breaches any undertakings with respect to the Deed, 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 rights and remedies available under the relevant bonds documents. The Group is considering to continue to realise part of its assets to obtain additional working capital, meanwhile, the Company will study the possibilities of replenishing its working capital by active fundraising; however, these financing activities may or may not proceed. The Group may encounter a liquidity issue if the cash generated from aforementioned financing activities together with existing free cash is not sufficient for the redemption of convertible bonds and repayment of other borrowings.

Interest rate risks

During the year ended 31 December 2021, the Group's secured bank loans were fully settled. The Group will be cautious in closely monitoring the interest rate risk and consider adopting measures to manage any associated risk when necessary and appropriate, including but not limited to use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. As at 31 December 2021, the Group had not carried out any hedging activities to manage its interest rate exposure.

COVID-19 Pandemic Risk

The continuing COVID-19 Pandemic and the spread of new coronavirus variants in different parts of the world, including the regions of businesses in which the Group operates, has an adverse impact on most economies due to the disruption of business activities, travel restrictions, behavioural change, and weakened sentiment in consumption. Despite the situation of COVID-19 Pandemic outbreak has now begun to stabilise following the rollout of vaccines, the COVID-19 Pandemic remains highly volatile and unpredictable due to the potential emergence of new coronavirus variants. The threat of new COVID-19 variants may cause setback to the global economic recovery and disruption of operational activities and loss of life, and may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. In particular, the Group's sales volume and revenue can be substantially affected should lockdowns/social distancing measures in Hong Kong/Mainland China remain in place. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Zhong Baisheng *(Chairman)*

Independent non-executive Directors

Mr. Li Qi
Mr. Wong Kai Hing
Mr. Cheng Tsz Lok *(appointed on 28 February 2021)*

In accordance with Article 105 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation in every year shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and members of the senior management are set out on pages 58 to 62 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of the emoluments of every Director for the Year is set out in note 11 to the consolidated financial statements.

SENIOR MANAGEMENT'S EMOLUMENTS

The annual remuneration of the members of the senior management (other than the Directors) for the year ended 31 December 2021 is set out in note 12 to the consolidated financial statements.

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Director	Date of Change	Details of Changes
Mr. Wong Kai Hing	21 April 2021	Appointed as an independent non-executive director of Grown Up Group Investment Holdings Limited (stock code: 1842), a company listed on the Main Board of the Stock Exchange
	20 January 2022	Appointed as an independent non-executive director of Hon Corporation Limited (stock code: 8259), a company listed on the GEM of the Stock Exchange
	15 February 2022	Appointed as an independent non-executive director of Xiwang Property Holdings Company Limited (stock code: 2088), a company listed on the Main Board of the Stock Exchange
Mr. Li Qi	28 February 2021	The Director's emolument of Mr. Li Qi was adjusted to HK$200,000 per annum

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

(i) Long position in shares and underlying shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of share options held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company *(Note 10)*
Mr. Zhong Baisheng *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
Mr. Yip Chee Lai, Charlie *(Note 3)*	Beneficial owner	6,046,000(L)	5,492,000(L)	11,538,000(L)	3.30%
	Interests of parties to an agreement to acquire interest of the Company	17,984,000(L)	–	17,984,000(L)	5.15%
	Total	24,030,000(L)	5,492,000(L)	29,522,000(L)	8.45%
Mr. Zhong Yiming *(Note 4)*	Beneficial owner	–	3,492,000(L)	3,492,000(L)	0.99%
Mr. Sun Yifei *(Note 5)*	Beneficial owner	–	5,492,000(L)	5,492,000(L)	1.57%
Mr. Wang Xingyi *(Note 6)*	Beneficial owner	–	3,492,000(L)	3,492,000(L)	0.99%
Mr. Li Qi *(Note 7)*	Beneficial owner	–	400,000(L)	400,000(L)	0.11%
Mr. Wong Kai Hing *(Note 8)*	Beneficial owner	–	200,000(L)	200,000(L)	0.05%
Mr. Cheng Tsz Lok *(Note 9)*	Beneficial owner	–	200,000(L)	200,000(L)	0.05%

Notes:

(1) The letter "L" denotes the Director's long position in the shares or underlying shares.

(2) These shares are held directly by Tempus Hong Kong, which is wholly-owned by Tempus Value Chain Limited ("**Tempus Value Chain**"). Tempus Value Chain is wholly-owned by Tempus Logistics, which is in turn owned as to 65% by Tempus Group and 35% by Pingfeng Jewellery, respectively. Pingfeng Jewellery is owned as to 67% by Mr. Zhong Baisheng and 33% by Ms. Duan Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr. Zhong Baisheng and 0.66% by Ms. Duan Naiqi, respectively. As at 31 December 2021, Tempus Hong Kong held 201,534,092 shares, representing approximately 57.7% of the issued shares of the Company.

(3) Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Seng, Mr. Yip Chee Way, David and Mr. Yep Gee Kuarn (the "**Minority Shareholders**") have been persons acting in concert since 1 April 2008 pursuant to a confirmatory agreement dated 1 February 2011 entered into by and among them. Accordingly, each of the Minority Shareholders is deemed to be interested in the shares in which the Minority Shareholders are interested pursuant to the SFO. Mr. Yip Chee Lai, Charlie's long position in the underlying shares comprises an aggregate of 5,492,000 options granted to him by the Company on 16 April 2018 and 23 November 2021 under the share option scheme adopted by the Company on 25 November 2011 (the "**2011 Share Option Scheme**"). Out of these options, 2,000,000 options are exercisable at the exercise price of HK$2.13 per share during the period from 16 April 2018 to 15 April 2022; and 3,492,000 options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(4) Mr. Zhong Yiming's long position in the underlying shares comprises an aggregate of 3,492,000 options granted to him by the Company on 23 November 2021 under the 2011 Share Option Scheme. These options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(5) Mr. Sun Yifei's long position in the underlying shares comprises an aggregate of 5,492,000 options granted to him by the Company on 16 April 2018 and 23 November 2021 under the 2011 Share Option Scheme. Out of these options, 2,000,000 options are exercisable at the exercise price of HK$2.13 per share during the period from 16 April 2018 to 15 April 2022; and 3,492,000 options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(6) Mr. Wang Xingyi's long position in the underlying shares comprises an aggregate of 3,492,000 options granted to him by the Company on 23 November 2021 under the 2011 Share Option Scheme. These options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(7) Mr. Li Qi's long position in the underlying shares comprises an aggregate of 400,000 options granted to him by the Company on 16 April 2018 and 23 November 2021 under the 2011 Share Option Scheme. Out of these options, 200,000 options are exercisable at the exercise price of HK$2.13 per share during the period from 16 April 2018 to 15 April 2022; and 200,000 options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(8) Mr. Wong Kai Hing's long position in the underlying shares comprises an aggregate of 200,000 options granted to him by the Company on 23 November 2021 under the 2011 Share Option Scheme. These options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(9) Mr. Cheng Tsz Lok's long position in the underlying shares comprises an aggregate of 200,000 options granted to him by the Company on 23 November 2021 under the 2011 Share Option Scheme. These options are exercisable at the exercise price of HK$0.238 per share during the period from 23 November 2021 to 22 November 2026, subject to the vesting schedule.

(10) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued shares of the Company as at 31 December 2021.

* *For identification purposes only*

(ii) Long position in shares of the Company's associated corporation

Name of Director	Name of associated corporation	Number and class of securities in associated corporation interested	Approximate percentage of shareholding in associated corporation
Mr. Zhong Baisheng	Tempus Hong Kong	10,000 ordinary shares (L)	100%

Notes:

(1) The letter "L" denotes the person's long position in the shares or underlying shares of the associated corporation.

(2) Tempus Hong Kong is wholly-owned by Tempus Value Chain, which is wholly-owned by Tempus Logistics. Tempus Logistics is owned as to 65% by Tempus Group and 35% by Pingfeng Jewellery, respectively. Pingfeng Jewellery is owned as to 67% by Mr. Zhong Baisheng and 33% by Ms. Duan Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr. Zhong Baisheng and 0.66% by Ms. Duan Naiqi, respectively. By virtue of the SFO, Mr. Zhong Baisheng is deemed to be interested in the 10,000 shares in Tempus Hong Kong.

Saved as disclosed above and disclosed under the paragraph headed "Share Options" in this annual report, as at 31 December 2021, none of the Directors and chief executive of the Company had or was deemed to have interests or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to (i) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (ii) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the note 36 to the consolidated financial statements in this annual report, no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party or contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this annual report, none of the Directors nor their respective associates had interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS

Saved as disclosed in the note 36 to the consolidated financial statements in this annual report, none of the Directors or an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, agreement or contract of significance subsisted during or at the end of the Year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

As at 31 December 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

As at 31 December 2021, so far as is known to any Directors or chief executive of the Company, the following persons (other than (a) Director(s) or chief executive of the Company) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company *(Note 6)*
Tempus Hong Kong *(Note 2)*	Beneficial owner	201,534,092(L)	–	201,534,092(L)	57.70%
Tempus Value Chain *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
Tempus Logistics *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
Tempus Group *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
Pingfeng Jewellery *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
Ms. Duan Naiqi *(Note 2)*	Interest in a controlled corporation	201,534,092(L)	–	201,534,092(L)	57.70%
SCGC Capital Holding Company Limited *(Note 3)*	Beneficial owner	20,300,000(L)	–	20,300,000(L)	5.81%
Shenzhen Capital (Hong Kong) Company Limited *(Note 3)*	Interest in a controlled corporation	20,300,000(L)	–	20,300,000(L)	5.81%
Shenzhen Capital Group Co., Ltd. *(Note 3)*	Interest in a controlled corporation	20,300,000(L)	–	20,300,000(L)	5.81%
Mr. Yip Chee Seng *(Note 4)*	Beneficial owner	5,774,000(L)	–	5,774,000(L)	1.65%
	Interests of parties to an agreement to acquire interests of the Company	18,256,000(L)	5,492,000(L)	23,748,000(L)	6.80%
	Total	24,030,000(L)	5,492,000(L)	29,522,000(L)	8.45%
Mr. Yep Gee Kuarn *(Note 4)*	Beneficial owner	6,114,000(L)	–	6,114,000(L)	1.75%
	Interests of parties to an agreement to acquire interests of the Company	17,916,000(L)	5,492,000(L)	23,408,000(L)	6.70%
	Total	24,030,000(L)	5,492,000(L)	29,522,000(L)	8.45%

Name of Shareholder	Capacity/ Nature of interest	Number of shares held (a)	Number of underlying shares in respect of equity derivatives held (b)	Total number of shares and underlying shares held (a) + (b)	Approximate percentage of shareholding in the Company *(Note 6)*
Mr. Yip Chee Way, David *(Note 4)*	Beneficial owner	6,096,000(L)	–	6,096,000(L)	1.75%
	Interests of parties to an agreement to acquire interests of the Company	17,934,000(L)	5,492,000(L)	23,426,000(L)	6.70%
	Total	24,030,000(L)	5,492,000(L)	29,522,000(L)	8.45%
China Construction Bank Corporation *(Note 5)*	Interest in a controlled corporation	87,315,200(L)	–	–	25.00%
Central Huijin Investment Ltd. *(Note 5)*	Interest in a controlled corporation	87,315,200(L)	–	–	25.00%

Notes:

(1) The letter "L" denotes the person' s long position in the shares or underlying shares.

(2) These shares are held directly by Tempus Hong Kong, which is wholly owned by Tempus Value Chain. Tempus Value Chain is wholly-owned by Tempus Logistics, which is in turn owned as to 65% by Tempus Group and 35% by Pingfeng Jewellery, respectively. Pingfeng Jewellery is owned as to 67% by Mr. Zhong Baisheng and 33% by Ms. Duan Naiqi, respectively. Tempus Group is owned as to 98% by Pingfeng Jewellery, 1.34% by Mr. Zhong Baisheng and 0.66% by Ms. Duan Naiqi, respectively. Therefore, pursuant to Part XV of the SFO, each of Mr. Zhong Baisheng, Ms. Duan Naiqi, Pingfeng Jewellery, Tempus Group, Tempus Logistics and Tempus Value Chain is deemed to be interested in the shares held by Tempus Hong Kong.

(3) SCGC Capital Holding Company Limited is wholly-owned by Shenzhen Capital (Hong Kong) Company Limited, which is wholly-owned by Shenzhen Capital Group Co., Ltd*（深圳市創新投資集團有限公司）. Therefore, pursuant to Part XV of the SFO, each of Shenzhen Capital (Hong Kong) Company Limited and Shenzhen Capital Group Co., Ltd. is deemed to be interested in the shares held by SCGC Capital Holding Company Limited.

(4) The Minority Shareholders have been the persons acting in concert since 1 April 2008 pursuant to a confirmatory agreement dated 1 February 2011 entered into by and among them. Accordingly, each of the Minority Shareholders is deemed to be interested in the shares in which the Minority Shareholders are interested pursuant to section 318 of the SFO.

(5) On 28 December 2021, the Company entered into the Subscription Agreement with the CBs holder, pursuant to which the CBs holder has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 87,315,200 Subscription Shares at the subscription price of HK$0.19941 per Subscription Share. Therefore, these shares are interested by Wan Tai, which is wholly-owned by CCBI Investment Limited ("**CCBI Investment**"). CCBI Investment is wholly-owned by CCB International (Holdings) Limited, which is in turn wholly-owned by CCB Financial Holdings Limited ("**CCB Financial**"). CCB Financial is wholly-owned by CCB International Group Holdings Limited ("**CCB International Group**"). CCB International Group is wholly-owned by China Construction Bank Corporation, which is in turn owned as to 57.11% by Central Huijin Investment Ltd. These shares are issued and alloted upon completion of subscription of shares on 4 February 2022.

(6) The approximate percentage of shareholding is calculated based on a total of 349,260,800 issued shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The 2011 Share Option Scheme

The Company adopted the 2011 Share Option Scheme on 25 November 2011 which was expired on 25 November 2021.

The Company has conditionally adopted the 2011 Share Option Scheme for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors may, at their absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for shares:

(a) any eligible employee of the Company (whether full-time or part-time including any executive Director but excluding any non-executive Director);

(b) any non-executive Directors (including independent non-executive Directors), any of the subsidiaries or any entity in which any member of the Group holds any equity interest (the "**Invested Entity**");

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(h) any other group of classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the 2011 Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The Directors were authorised to grant options to subscribe for shares and to allot, issue and deal with the shares pursuant to the exercise of options granted under the 2011 Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the 2011 Share Option Scheme. The maximum number of shares in respect of which options may be granted under the 2011 Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 30% of the total number of shares in issue on the day on which trading of the shares commenced on the Main Board of the Stock Exchange.

Unless otherwise approved by the shareholders in general meeting, the number of shares that may be granted to an eligible participant under the 2011 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, any grant of options to a substantial shareholder or independent non-executive Director or their respective associates under the 2011 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not represent in aggregate over 0.1% of the shares in issue and has an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of the share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The 2011 Share Option Scheme shall take effect from the date it is adopted (that is, 25 November 2011) and expired on 25 November 2021).

At the annual general meeting of the Company held on 24 May 2019 (the "**2019 AGM**"), the shareholders of the Company passed an ordinary resolution to refresh the scheme mandate limit of the 2011 Share Option Scheme to 10% of the shares in issue as at the date of the 2019 AGM. Therefore, the maximum number of shares which may be issued upon exercise of all share options that may be granted under the refreshed scheme mandate limit is 34,926,080 shares. For details, please refer to the Company's circular dated 24 April 2019 and the Company's announcement dated 24 May 2019.

No further share options were granted under the 2011 Share Option Scheme after it expired on 25 November 2021.

The New Share Option Scheme

The Company has adopted a new share option scheme on 31 January 2022 (the "**New Share Option Scheme**") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors may, at their absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for shares:

(a) any eligible employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of any member of the Group, any entity in which any member of the Group holds any equity interest (the "**Invested Entity**");

(b) any non-executive Directors (including independent non-executive Directors) of any member of the Group, any Invested Entity;

(c) directors and employees of any holding company, fellow subsidiary or associated company of the Company;

(d) any supplier of goods or services to any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity; and

(g) any service provider (professional or otherwise), consultant or any business or joint venture partner to any area of business or business development of any member of the Group or any Invested Entity,

and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The Directors were authorised to grant options to subscribe for shares and to allot, issue and deal with the shares pursuant to the exercise of options granted under the New Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the New Share Option Scheme. The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 30% of the total number of shares in issue on the day on which trading of the shares commenced on the Main Board of the Stock Exchange.

Unless otherwise approved by the shareholders in general meeting, the number of shares that may be granted to an eligible participant under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, any grant of options to a substantial shareholder or independent non-executive Director or their respective associates under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not represent in aggregate over 0.1% of the shares in issue within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of the share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The New Share Option Scheme shall take effect from the date it is adopted (that is, 31 January 2022) and shall remain effective within a period of 10 years from that date (that is, the New Share Option Scheme shall expire on 31 January 2032).

The maximum number of shares which may be issued upon exercise of all share options that may be granted under the scheme mandate limit is 34,926,080 shares which is equivalent to 10% of the issued shares of the Company.

As at the date of this annual report, the total number of shares available for issue under the 2011 Share Option Scheme were 39,588,000, and the maximum number of options available to be granted under the New Share Option Scheme are 34,926,080, which represented approximately 11.33% and 10.00%, respectively, of the issued shares of the Company on that date.

SHARE OPTIONS

Details of the movements in the share options of the 2011 Share Option Scheme during the Year are set out below:

					Number of share options					
Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31 December 2021
Directors										
Mr. Yip Chee Lai, Charlie	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	200,000	–	–	(200,000)	–	–
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	200,000	–	–	–	–	200,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	–	873,000	–	–	–	873,000
	Sub-total				4,000,000	3,492,000	–	(2,000,000)	–	5,492,000
Mr. Sun Yifei	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	200,000	–	–	(200,000)	–	–
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	600,000	–	–	(600,000)	–	–
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	200,000	–	–	–	–	200,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	600,000	–	–	–	–	600,000
	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	-	873,000	–	–	–	873,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	-	873,000	–	–	–	873,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	-	873,000	–	–	–	873,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	-	873,000	–	–	–	873,000
	Sub-total				4,000,000	3,492,000	–	(2,000,000)	–	5,492,000
Mr. Li Qi	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	20,000	–	–	(20,000)	–	–
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	60,000	–	–	(60,000)	–	–
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	60,000	–	–	(60,000)	–	–
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	60,000	–	–	(60,000)	–	–
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	20,000	–	–	–	–	20,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	60,000	–	–	–	–	60,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	60,000	–	–	–	–	60,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	60,000	–	–	–	–	60,000
	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	-	50,000	–	–	–	50,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	-	50,000	–	–	–	50,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	-	50,000	–	–	–	50,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	-	50,000	–	–	–	50,000
	Sub-total				400,000	200,000	–	(200,000)	–	400,000

Grantees	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31 December 2021
Mr. Zhong Yiming	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	–	873,000	–	–	–	873,000
	Sub-total				–	3,492,000	–	–	–	3,492,000
Mr. Wang Xingyi	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	–	873,000	–	–	–	873,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	–	873,000	–	–	–	873,000
	Sub-total				–	3,492,000	–	–	–	3,492,000
Mr. Wong Kai Hing	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	–	50,000	–	–	–	50,000
	Sub-total				–	200,000	–	–	–	200,000
Mr. Cheng Tsz Lok	23.11.2021	23.11.2021	23.11.2021-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2022	01.04.2022-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2023	01.04.2023-22.11.2026	0.238	–	50,000	–	–	–	50,000
		23.11.2021-31.03.2024	01.04.2024-22.11.2026	0.238	–	50,000	–	–	–	50,000
	Sub-total				–	200,000	–	–	–	200,000
Other eligible participants	26.1.2017	26.1.2017	26.1.2017 – 25.1.2021	1.84	450,000	–	–	(450,000)	–	–
		26.1.2017 – 25.1.2018	26.1.2018 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–
		26.1.2017 – 25.1.2019	26.1.2019 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–
		26.1.2017 – 25.1.2020	26.1.2020 – 25.1.2021	1.84	1,350,000	–	–	(1,350,000)	–	–
	16.4.2018	16.4.2018	16.4.2018 – 15.4.2022	2.13	670,000	–	–	(100,000)	–	570,000
		16.4.2018 – 15.4.2019	16.4.2019 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000
		16.4.2018 – 15.4.2020	16.4.2020 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000
		16.4.2018 – 15.4.2021	16.4.2021 – 15.4.2022	2.13	2,010,000	–	–	(300,000)	–	1,710,000
	23.11.2021	23.11.2021	23.11.2021 – 22.11.2026	0.238	–	3,780,000	–	–	–	3,780,000
		23.11.2021 – 31.03.2022	01.04.2022 – 22.11.2026	0.238	–	3,780,000	–	–	–	3,780,000
		23.11.2021 – 31.03.2023	01.04.2023 – 22.11.2026	0.238	–	3,780,000	–	–	–	3,780,000
		23.11.2021 – 31.03.2024	01.04.2024 – 22.11.2026	0.238	–	3,780,000	–	–	–	3,780,000
	Sub-total				11,200,000	15,120,000	–	(5,500,000)	–	20,820,000
	Total				**19,600,000**	**29,688,000**	**–**	**(9,700,000)**	**–**	**39,588,000**

Note:

Further details of the Share Options Scheme are set out in note 38 to the consolidated financial statements.

As at the date of this annual report, no share option had been granted under the New Share Option Scheme.

CONNECTED TRANSACTION

Fully Exempted Connected Transaction in Relation to Disposal of the Entire Issued Shares in Tempus (BVI)

On 30 December 2021, the Company as the vendor entered into the S&P II with the Purchaser B, being an indirect subsidiary of Pingfeng Jewellery, 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 issue share capital of Tempus BVI for a cash consideration of HK$150,000. The principal activity of Tempus BVI is investment holding. The disposal was completed on 30 December 2021 and all consideration was received on the same date. Upon completion, Tempus BVI ceased to be a subsidiary of the Company. As at the date of disposal, the collective carrying amount of net assets disposed of amounted to HK$nil, mainly representing investment in TBRJ Asset Management Limited and TBRJ Fund I L.P. with a carrying amount of HK$nil and HK$nil, respectively. The net loss on disposal of Tempus BVI was HK$45,000. The net cash outflow arising on disposal of Tempus BVI was HK$45,000. For details, please refer to the Company's announcement dated 30 December 2021.

With regard to the significant related party transactions as disclosed under Note 36 to the consolidated financial statements, the transaction stated above regarding the disposal of a subsidiary, Tempus BVI, constitutes a fully exempt connected transaction (as defined under the Listing Rules) of the Company. Other related party transactions disclosed therein undertaken in the normal course of business comprise no continuing connected transactions nor connected transactions which require disclosure pursuant to Chapter 14A of the Listing Rules. The Board confirmed that during the Year and up to the date of this annual report, the Company complied with the disclosure requirement in all material respects under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those have a significant impact on the Group. The Group would seek professional legal advice from its legal advisers to ensure its transactions and business are in compliance with the applicable laws and regulations. During the Year, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Acting in an environmentally responsible manner, the Group strictly abides by the laws and regulations on pollutant discharge and environmental protection in countries or regions where it operates. The retail outlets, warehouses and offices do not discharge wastewater or emit waste gas. In addition to the water usage, the Group's operation has no special water demand. The Group has implemented a number of measures to effectively utilise resources and reduce energy consumption. Meanwhile, the implementation of the Enterprise Resources Planning (ERP) System to optimise resource allocation and management of the procurement, logistics and sales of "OTO" products has reduced the consumption of resources through minimising the use of paper documents.

During the Year, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects. The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely enhancing environmental sustainability. For further details, please refer to the Environmental, Social and Governance Report on pages 63 to 83 of this annual report.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group accelerates development of young leaders and nurtures them in establishing study-oriented teams and keeps them abreast of updated knowledge and timely development.

The Group also aims to provide competitive and attractive remuneration packages to retain the employees. Management reviews annually the remuneration package offered to employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, the Group adopted the 2011 Share Option Scheme and the New Share Option Scheme. Information about the scheme is set out in the paragraph headed "Share Option Scheme" in this annual report. For further details, please refer to pages 34 to 39 of this annual report.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values the relationship with customers, as well as their feedback and opinions. In order to respond quickly to customer requirements, the Group has established a team consisting of skilled engineers and technicians to provide customers with high-quality and efficient after-sales services. In addition, the Group also collects and stores customers' opinions and suggestions on products via customer relationship management system to assist the design and development of products and enhance the quality management and services. During the Year, the Group considered the relationship with customers was satisfactory. For further details, please refer to pages 79 to 82 of this annual report.

The Group's suppliers are mainly external manufacturers, and warehousing and logistics providers. The Group outsources the manufacturing of health and wellness products to third-party external manufacturers. The Group implements measures in selecting suppliers and conducts regular inspection and evaluation on existing external manufacturers. During the Year, the Group considered the relationship with suppliers was good and stable. For further details, please refer to pages 79 to 82 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Year except code provision A.5.1, details of which are set out in the "Corporate Governance Report". The Corporate Governance Report is set out on pages 43 to 57 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had reviewed together with the management of the Company and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Year.

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Group with effect from 9 January 2019 and Moore Stephens CPA Limited ("**Moore Stephens**") was then appointed as the auditor of the Group following the resignation of Deloitte as the auditor of the Group. Save as disclosed above, there was no change in the auditor of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Moore Stephens who retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for re-appointment of Moore Stephens as auditor of the Company is to be proposed at the forthcoming AGM.

By Order of the Board

Zhong Baisheng
Chairman and Non-executive Director

Hong Kong, 13 April 2022

* *For identification purposes only*

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a good standard of corporate governance practices and business ethics in the Company and believes that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

On 1 January 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Listing Rules as its own code of corporate governance practice and complied with the CG Code throughout the year ended 31 December 2021, except the 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). 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 and comprises a majority of independent non-executive Directors.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (including amendments as effected from time to time) as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board oversees the Group's businesses, strategic decisions, internal control, risk management systems and monitors the performance of the senior management. The Directors have the responsibility to act objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the executive committee of the Company (the "**Executive Committee**") and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers.

The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code.

The Board has delegated various responsibilities to the Board committees as set out in their respective terms of reference including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. Further details of these committees are set out in the paragraphs below.

As at the date of this annual report, the Board comprises four executive Directors namely, Mr. Zhong Yiming, Mr. Yip Chee Lai, Charlie, Mr. Wang Xingyi and Mr. Sun Yifei; one non-executive Director namely, Mr. Zhong Baisheng (Chairman); and three independent non-executive Directors namely, Mr. Li Qi, Mr. Wong Kai Hing and Mr. Cheng Tsz Lok. The profiles of each Director are set out in the "Biographies of Board of Directors and Senior Management" section in this annual report.

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

The biographical details of all Directors are set out on pages 58 to 62 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographies of Board of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In compliance with the code provision in A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 with effect from 1 January 2022), the roles of the chairman and the chief executive officer are separated and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual. The chairman, Mr. Zhong Baisheng, is responsible for leadership of the Board and strategic planning of the Group while the chief executive officer, Mr. Zhong Yiming, is responsible for formulating and executing the business strategy approved by the Board and overall business management. There is a clear division of responsibilities between the chairman and chief executive officer. Mr. Zhong Yiming, the chief executive officer, is the son of Mr. Zhong Baisheng, the Chairman of the Board. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

DIRECTORS' ATTENDANCE RECORDS

Fifteen Board meetings were held during the Year.

Details of Directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee held during the Year are set out in the following table:

	Number of meetings attended/eligible to attend during the Year			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Zhong Yiming	15/15	—	4/4	—
Mr. Yip Chee Lai, Charlie	15/15	—	—	—
Mr. Wang Xingyi	15/15	—	—	—
Mr. Sun Yifei	15/15	—	4/4	—
Non-executive Director				
Mr. Zhong Baisheng *(Chairman)*	13/15	—	—	—
Independent non-executive Directors				
Mr. Li Qi	13/15	4/4	4/4	2/2
Mr. Wong Kai Hing	15/15	4/4	4/4	2/2
Mr. Cheng Tsz Lok *(appointed on 28 February 2021)*	14/14	4/4	3/3	1/1

BOARD MEETINGS

Board meetings are held regularly for at least four times a year at approximately quarterly intervals and ad-hoc meetings are also convened if necessary to discuss the overall strategy as well as financial performance of the Group, and to review and approve the Group's annual and interim results. Notice of Board meeting is normally sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice is given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all Directors before meetings. All Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to suggest matters in the agenda for Board meetings. Directors have access to the services of the company secretary to ensure that the Board procedures are followed.

Minutes of the Board meetings and committee meetings are recorded in sufficient details of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

In addition to regular Board meetings, the chairman of the Board met with the independent non-executive Directors without the presence of the executive Directors.

A list of Directors is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to attend relevant training courses and seminars to strengthen their skill sets and knowledge on understanding of current issues and developments of the financial and business environment. During the Year, the Company provided to all Directors with (i) the briefing, updates and presentations on changes and developments to the Group's business and operations, (ii) the workshop conducted by a professional and licensed solicitor pertaining to the latest developments of the Listing Rules and other applicable laws, rules and regulations relating to the Directors' duties and responsibilities; and (iii) the relevant reading materials in respect of his profession. The Directors will continue to undergo training that may be required from time to time, keeping abreast with latest changes in laws, regulations and the business environment.

According to the records maintained by the Company, the Directors have received the following training during the year ended 31 December 2021:

	Type of trainings	
	Attending seminars/ conferences and/or similar events	**Reading materials and updates**
Executive Directors		
Mr. Zhong Yiming *(chief executive officer)*	√	√
Mr. Yip Chee Lai, Charlie	√	√
Mr. Wang Xingyi	√	√
Mr. Sun Yifei	√	√
Non-executive Director		
Mr. Zhong Baisheng *(Chairman)*	√	√
Independent non-executive Directors		
Mr. Li Qi	√	√
Mr. Wong Kai Hing	√	√
Mr. Cheng Tsz Lok *(appointed on 28 February 2021)*	√	√

DIRECTORS' ATTENDANCE AT GENERAL MEETING

During the Year, the Company held one annual general meeting on 28 May 2021 (the "**2021 AGM**") and one extraordinary general meeting on 13 September 2021 (the "**EGM**"). The attendance of each Director is set out in the table below:

	2021 AGM	EGM
Executive Directors		
Mr. Zhong Yiming *(chief executive officer)*	√	√
Mr. Yip Chee Lai, Charlie	√	√
Mr. Wang Xingyi	√	√
Mr. Sun Yifei	√	√
Non-executive Director		
Mr. Zhong Baisheng *(Chairman)*	√	√
Independent non-executive Directors		
Mr. Li Qi	√	√
Mr. Wong Kai Hing	√	√
Mr. Cheng Tsz Lok *(appointed on 28 February 2021)*	√	√

Remarks:

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

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

BOARD COMMITTEES

Audit Committee

As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Wong Kai Hing, Mr. Li Qi and Mr. Cheng Tsz Lok, all being independent non-executive Directors. Mr. Wong Kai Hing is the chairman of the Audit Committee. The primary duties of the Audit Committee include:

i. to review the financial statements and reports and consider any significant or unusual items raised by the external professional advisers or external auditors before submission to the Board;

ii. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

iii. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has reviewed the Group's consolidated financial statements for the Year including the accounting principles and practice adopted by the Group. The Audit Committee has also reviewed the internal control and risk management system of the Group for the Year.

During the Year, the Audit Committee performed the duties and responsibilities under its terms of reference as published on the websites of the Stock Exchange and the Company and other duties of CG Code.

Four Audit Committee meetings were held during the Year. At the meetings, the Audit Committee has performed the following:

i. reviewed the annual results of the Group for the year ended 31 December 2020;

ii. reviewed the interim results of the Group for the six months ended 30 June 2021;

iii. reviewed the financial status and performance, internal control and risk management systems of the Group for the year ended 31 December 2020 and six months ended 30 June 2021;

iv. reviewed the interim review engagement by the auditor; and

v. recommended to the Board for the re-appointment of the auditor of the Company.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee consists of three independent non-executive Directors, namely Mr. Cheng Tsz Lok, Mr. Li Qi and Mr. Wong Kai Hing and two executive Directors, namely Mr. Zhong Yiming and Mr. Sun Yifei. Mr. Cheng Tsz Lok is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure that none of the Directors or any of his associates will participate in determining or will determine their own remuneration.

The Board retains its power to determine the individual remuneration package of all individual Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group and at the recommendation of the Remuneration Committee.

All Directors do not participate in determining their own remuneration.

Details of the Directors' remuneration for the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policy" section contained in the Management Discussion and Analysis on page 18 of this annual report.

Four meetings of the Remuneration Committee were held during the Year. During the meetings, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of Directors and senior management, assessed performance of executive Directors and approved the terms of executive Directors service contracts, the remuneration package of newly appointed Directors; and considered and recommended to the Board the grant of share options to Directors.

Nomination Committee

As at the date of this annual report, the Nomination Committee consists of three members, namely Mr. Cheng Tsz Lok, Mr. Li Qi and Mr. Wong Kai Hing, all being independent non-executive Directors. Mr. Cheng Tsz Lok is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

i. to review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

ii. to identify suitable candidates for appointment as Directors;

iii. to make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and

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

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

Under the board diversity policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge are taken into account when considering the nomination of a candidate for directorship and all Board appointments are based on meritocracy. Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the board diversity policy. The Nomination Committee monitors the implementation of the board diversity policy and review the effectiveness of the same on an annual basis. The Company recognises the importance of gender diversity and recruits employees at all levels based on merits and regardless of gender in order to ensure there is a pipeline of male and female potential successors to the Board and the senior management. Currently, the Board consists of all male Directors. The Company will ensure at least one female Director will be appointed by 31 December 2024.

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

The Company has multiple mechanisms in place to ensure independent views and input are available to the Board. When reviewing the structure, size and composition of the Board, the Nomination Committee puts emphasis on whether the composition of executive and non-executive Directors (including independent non-executive Directors) is balanced and ensures that there is a strong independent element on the Board. Independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. All Directors (including independent non-executive Directors) are given opportunities to include matters in the agenda for regular Board meetings. Upon a reasonable request of any Director, the Board should resolve to provide separate independent professional advice, at the Company's expense, to the Director(s) to assist such Director(s) or the Board in performing duties to the Company. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, as long as reasonably practicable, the matter will normally be dealt with by a Board meeting rather than a written resolution. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting. The chairman of the Board at least annually holds a meeting with the independent non-executive Directors without the presence of other Directors. The Nomination Committee considers that the implementation of above mechanisms is effective.

Two meetings of the Nomination Committee were held during the Year. During the meetings, the Nomination Committee considered and recommended to the Board the appointment of the new Director, reviewed the nomination policy and board diversity policy, recommended Directors standing for re-election at the annual general meeting of the Company, reviewed the structure, size and composition of the Board and each of the committee of the Board and assessed the independence of independent non-executive Directors. The Nomination Committee considered the current structure, size and composition of the Board and each committee of the Company is sufficient.

Executive Committee

The Company has set up the Executive Committee which is responsible for implementing the corporate strategy, monitoring the business performances and exercising the powers and authority delegated by the Board. It comprises four executive Directors, namely Mr. Zhong Yiming, Mr. Yip Chee Lai, Charlie, Mr. Wang Xingyi and Mr. Sun Yifei, with Mr. Zhong Yiming being the chairman of the Executive Committee. Meeting of the Executive Committee is held when the executive Directors consider necessary and a meeting was held during the Year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for these purposes.

CORPORATE GOVERNANCE FUNCTION

The Board is entrusted with the overall responsibility to maintain good standard of corporate governance practices and business ethics within the Group. Under the terms of reference of the corporate governance function, the Board is responsible to develop and review the Company's policies and practices on corporate governance and make recommendations; review and monitor the training and continuous professional development of Directors and senior management; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Board has performed the above responsibilities during the Year.

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

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

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

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2021. Such review is conducted annually and the cycles reviewed are on rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and the management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

FINANCIAL REPORTING

Directors' Responsibility on the Financial Statements

The Directors acknowledge their responsibility for preparing, with the support from the finance and accounting department of the Group, the financial statements of the Company and the Group and are responsible for overseeing the preparation of financial statements for the year ended 31 December 2021 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the Year. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

In the preparation of financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards have been consistently complied with. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 87 to 89 of this annual report.

Independent Auditor's Remuneration

During the Year, the Group was charged HK$1,500,000 for auditing services and approximately HK$750,000 for non-auditing services by the Company's auditor, Moore Stephens.

	Fee paid/payable *HK$'000*
Annual audit services	1,500
Non-audit services:	
Review of interim results	400
Review of financial information for Very Substantial Disposal	350
Total	2,250

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

RISK MANAGEMENT AND INTERNAL CONTROL

To maintain sound risk management and internal control systems is of vital importance to fulfill the Group's business objectives and its long-term sustainable growth. The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving the Group's strategic goals, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems to safeguard shareholders' investment and the Group's assets.

The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives, such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Year, the Group engaged an external consultant and conducted a comprehensive review of the Group's risk management and internal control systems. The Company has engaged an external consultant which is responsible for internal audit function. The Board has also annually reviewed the effectiveness of the risk management and internal control systems and the Group's internal audit function through discussion with the Audit Committee on audit findings and control issue and considered them effective and adequate.

Risk Management

The Company has developed an integrated risk management framework by reference to the Committee of Sponsoring Organization of the Treadway Commission Principles, to identify potential events that may affect the Group, manage the associated risks and opportunities and provide reasonable assurance that Group's strategic goals will be achieved.

The Board is responsible for overseeing the risk management framework and reviewing the major existing and potential risks (including Environmental, Social and Governance risks) and their respective mitigating measures. The Audit Committee is responsible for reviewing the adequacy and effectiveness of risk management and internal control system of the Group and advising the Board on the same. The Executive Committee is responsible for formulating and executing the risk management policies, monitoring and assessing and mitigating the risks identified and ensuring the effective implementation of risk management framework. The business units are responsible for risk identification, evaluation and execution of risk management measures from daily operations.

Risks are segregated into four broad categories: strategic, operational, financial and compliance perspectives for further assessment and management. A bottom-up and top-down approach are adopted to ensure a comprehensive risk management process. The bottom-up approach is supported by business units and other functional units to identify and prioritise the risks whilst the top-down approach identifies, assesses and mitigates the risks at corporate level.

The Board reviews the Group's risk management system annually. After reviewing the Group's risk management system, the Board considers that its risk management system during the Year is effective and adequate as a whole.

Internal Control

The Group has its own internal control and accounting systems, finance and accounting department, independent treasury function for cash receipts and payments, as well as independent access to third party financing. As such, the Directors believe that the Group is financially independent from the controlling shareholders of the Company and their/its associates.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations and resolve material internal control defects should they arise. The Group's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board reviews the Group's internal control system annually. After reviewing the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staffs with appropriate qualifications and experience, training programmes and budget of the Company's accounting, financial reporting function and the Company processes for financial reporting and Listing Rules compliance are effective for the Year.

INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Group sets out written guidelines and procedures to the employees of the Group, while the employees of the Group undertake to ensure inside information of the Group is not to be disseminated to the public unless the Board decides such information is regarded as inside information and requires disclosure in accordance with the Securities and Futures Ordinance and the Listing Rules. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain its confidentiality. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues. The written guidelines and procedures will be subject to be reviewed by the Company as and when it thinks appropriate.

COMPANY SECRETARY

Ms. Cheung Man Yin ("**Ms. Cheung**") was appointed as the company secretary of the Company on 7 July 2020. Ms. Cheung is responsible for supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed and advising the Board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of Directors.

The profile of Ms. Cheung is set out in the "Biographies of Board of Directors and Senior Management" section in this annual report. According to Rule 3.29 of the Listing Rules, Ms. Cheung has taken no less than 15 hours of the relevant professional training during the Year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted a shareholders' communication policy. The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. Annual/ interim reports, announcements and press releases are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tempushold.com which are constantly being updated in a timely manner and also contain additional information on the Group's business.

The hotline of the Company is +852 2543-6880, and its fax number is +852 2466-6880, through which the Company makes replies to the written or direct enquiries regarding all kinds of matters by shareholders and investors.

The Company's annual general meeting of shareholders is an important channel for Directors and shareholders to communicate with each other. Shareholders are given the opportunity to participate actively during the annual general meetings and query the Board and management regarding the Group's business and financial statements. The chairman of the Company himself presides over the annual general meeting to ensure the opinions of the Directors can be passed directly to the Board. In an annual general meeting, the Board and chairman of the Audit Committee, Remuneration Committee and Nomination Committee will participate in the questions raised by shareholders, and the chairman of the Company will come up with individual resolutions in respect of every issue raised in the annual general meeting.

Procedures for Shareholders to convene an Extraordinary General Meeting

The following procedures are subject to the Articles of Association (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition (the "**Requisition**") to the Directors or the company secretary, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholders who wish to convene an EGM must deposit the Requisition signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Unit 3602, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong, for the attention of the company secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Directors will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered shareholders. On the contrary, if the Requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Directors will not call for an EGM.

- Such EGM shall be held within two months after the deposit the Requisition. If within 21 days of the deposit of the Requisition, the Directors fail to proceed to convene such EGM, the Eligible Shareholder(s) himself/ herself/ themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Directors shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the EGM under the Cayman Islands Companies Law (2011 Revision). However, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Unit 3602, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong by post or by fax to +852 2466-6880 for the attention of the company secretary of the Company. Upon receipt of the enquiries, the company secretary of the Company will forward:

1. communications relating to matters within the Board's purview to the executive Directors;

2. communications relating to matters within a Board committee's purview to the chairman of the appropriate committee; and

3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

CONSTITUTIONAL DOCUMENT

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

EXECUTIVE DIRECTORS

Mr. Zhong Yiming ("Mr. Zhong YM"), aged 32, joined the Company in August 2019 as an executive Director, the chief executive officer, the chairman of Executive Committee and a member of Remuneration Committee. Mr. Zhong YM is also a member of the senior management of Tempus Group and its subsidiaries. He obtained a Bachelor's degree in business management from Coventry University in the United Kingdom in 2012. After that, he has been profoundly working in the investment field with the focus of Hong Kong and international capital markets and has accumulated extensive market and management experience. Mr. Zhong YM is the founder of Enter Venture Partners Limited, a Hong Kong company primarily invests in the international medical and innovative technology business opportunities. He has also formed a strategic alliance with the famous investment management company in Israel in pursuing business opportunities in the PRC. Mr. Zhong YM had been appointed as the chairman of ATTA Group, which is holding company of Atta Capital Limited ("**ATTA Capital**") and Atta Securities Limited ("**ATTA Securities**"). ATTA Capital is a licensed corporation for type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the SFO, which provides consultancy services on private equity investment, asset management, securities, discretionary investment portfolio management and investment portfolio management. ATTA Securities is a licensed corporation for type 1 (dealing in securities) and type 2 (dealing futures contracts) regulated activities as defined in the SFO. During Mr. Zhong YM's tenure of services as a chairman of ATTA Group, he successfully introduced a leading enterprise in financial holding in Guangdong Province, as a strategic shareholder of ATTA Group, aiming at developing ATTA Group as an influential financial platform in the Guangdong-Hong Kong-Macao Greater Bay Area. Mr. Zhong YM is the director of Shenzhen Tempus Value Chain Co., Ltd* (深圳市騰邦價值鏈股份有限公司) which is directly held by the Company for its 78.75% equity interest. Mr. Zhong YM is the son of Mr. Zhong Baisheng, a non-executive Director and the chairman of the Board, and the brother-in-law of Mr. Wang Xingyi, an executive Director.

Mr. Yip Chee Lai, Charlie ("Mr. Yip"), aged 62, joined the Company in May 2011 as an executive Director, vice president and a member of the Executive Committee. He also holds directorships in certain subsidiaries of the Group. Mr. Yip participates in the Group's general management and is particularly responsible for the product research and development, marketing and customer service of the Group and Hong Kong and Macau market. Mr. Yip received education to GCE Advance Level in Singapore in 1979. He has been contributing to the growth of "OTO" brand business and brand development for more than 40 years.

Mr. Wang Xingyi ("Mr. Wang"), aged 32, joined the Company in September 2016 and was appointed as an executive Director and a member of the Executive Committee in November 2019. He obtained a Bachelor of Arts degree in Business Administration from Lincoln University in May 2011 and a Master of Arts degree in Financial Economics from the University of Detroit Mercy in December 2012. Prior to joining the Company, Mr. Wang worked for MTR Property Development (Shenzhen) Company Limited from March 2013 to March 2014 and MTR Corporation Limited from March 2014 to September 2016, respectively, acting as a real estate development officer and a real estate support officer. He has served as an assistant to the chairman of the Board of the Company since September 2016, assisting in handling work including corporate strategies, governance and financial policies. Mr. Wang is the director of Tempus Cross-border Commercial Service Limited, Tempus OTO Limited, Tempus Star (HK) Investment Limited, OTO (BVI) Investment Limited and Tempus (BVI) Properties Investment Limited which are wholly-owned subsidiaries of the Company. Mr. Wang is the legal representative and executive director of Tempus OTO (Shenzhen) Health Industry Limited* (騰邦豪特(深圳)大健康產業有限公司) and Shenzhen Tempus OTO Commerce Limited* (深圳騰邦豪特商貿有限公司) which are indirect wholly-owned subsidiaries of the Company, and he is also the director of Tempus Sky Enterprises Limited which is indirectly held by the Company for its 36.56% of the entire issued share capital. Mr. Wang is the son-in-law of Mr. Zhong Baisheng, a non-executive Director and the chairman of the Board, and the brother-in-law of Mr. Zhong YM, an executive Director and the chief executive officer.

Mr. Sun Yifei ("Mr. Sun"), aged 37, joined the Company in March 2017 and was appointed as an executive Director, a member of the Executive Committee and Remuneration Committee in December 2019. He obtained a Bachelor's degree in information management and information system and a Bachelor's degree in economics from Peking University in July 2006, and a Master's degree in information management from Peking University in July 2008. Mr. Sun has over 13 years of experience in financial industry. Prior to joining the Company, Mr. Sun worked at Huatai Securities Co., Ltd. from July 2008 to July 2010, China Development Bank Capital Co., Ltd. from July 2010 to July 2013 and the investment bank department of BOC International Holdings Limited from July 2013 to February 2017. Mr. Sun has acted as the vice president of the Company since March 2017. Mr. Sun is the legal representative and the executive director of Zhuhai Tempus Jinyue Investment Limited* (珠海騰邦金躍投資有限公司) and Shenzhen Tempus Science and Technology Industry Development Limited* (深圳騰邦科技產業發展有限公司) which are indirect wholly-owned subsidiaries of the Company, and he is the legal representative and director of Tianjin Tempus Yimaotong Foreign Trade Service Limited* (天津騰邦易貿通外貿服務有限公司) which is indirectly held by the Company for 80% equity interest, Mr. Sun is the director of Shenzhen Tempus Value Chain Co., Ltd* (深圳市騰邦價值鏈股份有限公司) which is directly held by the Company for its 78.75% equity interest, and he is also the general manager of Yantai Tempus Equity Investment Management Limited* (煙台騰邦股權投資管理有限公司) which is indirectly held by the Company for its 40% equity interest.

NON-EXECUTIVE DIRECTOR

Mr. Zhong Baisheng ("Mr. Zhong"), aged 57, has been re-designated as a non-executive Director with effect from 15 August 2019. He was a non-executive Director from January 2015 to February 2019, and was an executive Director from March 2019 to August 2019. Mr. Zhong is the chairman of the Board and is responsible for leadership of the Board and strategic planning of the Group. He is the founder and chairman of Tempus Group and the chairman of Tempus Global Business Service Group Holding Ltd.*（騰邦國際商業服務集團股份有限公司）("**Tempus Global**") which is a joint stock company incorporated in the PRC with limited liability with its A shares listed on the Shenzhen Stock Exchange (stock code: 300178). Mr. Zhong is a member of the 12th committee of the Chinese People's Political Consultative Conference of Guangdong Province*（中國人民政治協商會議廣東省第十二屆委員會委員）, a member of the 4th, 5th and 6th standing committee of the Chinese People's Political Consultative Committee of Shenzhen City of Guangdong Province* (中國人民政治協商會議廣東省深圳市第四屆、第五屆、第六屆常務委員會委員), a member of the 11th Fiscal and Financial Committee of the Central Committee of the China Democratic National Construction Association* (中國民主建國會第十一屆中央委員會財政金融委員會委員) and a director of the Finance Committee of the 9th Guangdong Provincial Committee of the China Democratic National Construction Association* (民建廣東省第九屆委員會金融委員會主任). Mr. Zhong was awarded as the "Labour Model of the Logistics Industry in China* (全國物流行業勞動模範)" by the Ministry of Human Resources and Social Security of the PRC (中國人力資源和社會保障部) and China Federation of Logistics & Purchasing* (中國物流與採購聯合會) in 2011, the "Outstanding Staff Care Private Ownership Entrepreneur* (全國關愛員工優秀民營企業家)" by All-China Federation of Industry and Commerce (中華全國工商業聯合會) and All-China Federation of Trade Unions (中華全國總工會) in 2013, the "Democratic National Social Service Advanced Individual* (民建全國社會服務先進個人)" by the Central Committee of the China Democratic National Construction Association* (中國民主建國會中央委員會) in 2016 and the title of "Excellent Business Contributor of Socialism with Chinese Characteristics of Guangdong Province in the 4th Session* (第四屆廣東省優秀中國特色社會主義事業建設者)" jointly presented by five organizations including the Guangdong Provincial United Front Work Department of the Communist Party of China* (中共廣東省委統戰部) in 2016. Mr. Zhong is the father of Mr. Zhong YM, an executive Director and the chief executive officer, and the father-in-law of Mr. Wang, an executive Director.

During the year ended 31 December 2021, judgments and court orders were laid down against, among others, Mr. Zhong, the non-executive Director, in relation to court cases involving the failure of the borrowers to repay the various loans granted by the lenders where Mr. Zhong acted as one of the guarantors and assumed joint and several liabilities with the borrowers and other guarantors in respect of the repayment of the loans. According to the judgments and court orders, the borrowers and Mr. Zhong, together with other guarantors (where applicable), were ordered to pay an aggregated sum (including the principals, interests accrued thereon, penalties and relevant costs) of approximately RMB6,878,008,000 by the courts. Mr. Zhong shall have the right to claim and recover from the borrowers such sum that he paid to the lenders should he settled the judgment sum pursuant to the judgements and court orders.

Besides, during the year ended 31 December 2021, judgements were also laid down against, among others, Mr. Zhong in relation to court cases involving (i) the failure of the service recipient to pay the consultancy fees where Mr. Zhong acted as one of the guarantors and assumed joint and several liabilities with the service recipient and other guarantors in respect of the payment of consultancy fees incurred under the relevant agreement; and (ii) the failure of the transferee to pay share transfer considerations where Mr. Zhong acted as one of the guarantors and assumed joint and several liabilities in respect of the payment of share transfer consideration under the relevant agreement. According to the judgments, the defendants, including Mr. Zhong were ordered to pay an aggregated sum (including the outstanding consultancy fees, compensation and relevant costs) of approximately RMB98,752,000 and an aggregate sum (including the share transfer consideration, share premium, compensation and relevant costs) of approximately RMB739,914,000 in respect of the aforesaid two court cases, respectively. Mr. Zhong shall have the right to claim and recover from the service recipient and/or the transferee such sums he paid to the plaintiff should he settled the judgment sum pursuant to the judgments.

During the year ended 31 December 2021, an arbitral award was laid down against Mr. Zhong in relation to a case involving Mr. Zhong's failure to return of the investment principal and pay the repurchase premium (i.e., interest) and compensation to the plaintiff pursuant to an agreement (the stock proceeds transfer and repurchase agreement (《股票收益轉讓及回購合同》) signed, amongst others, Mr. Zhong and the plaintiff. According to the arbitral award, Mr. Zhong was ordered to pay an aggregate sum (including investment amount, repurchase premium (i.e., interest), compensation and relevant costs) of approximately RMB219,856,000 to the plaintiff and the plaintiff shall enforce the share pledge on Tempus Global, the proceeds of which can be used by the plaintiff to settle the aforementioned sum as ordered by arbitration tribunal.

The Directors are of the view that the abovementioned litigations involving Mr. Zhong do not have any impact on the suitability of Mr. Zhong's acting as the non-executive Director under Rules 3.08 and 3.09 of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Tsz Lok ("Mr. Cheng"), aged 32, joined the Company in February 2021 as an independent non-executive Director, the chairman of each of the Nomination Committee and the Remuneration Committee, and a member of the Audit Committee. Mr. Cheng is the chief investment officer of China Daisy Asset Management Limited ("**China Daisy Asset**"). He holds a Specialist Certificate in Securities and Asset Management issued by Hong Kong Securities and Investment Institute. Mr. Cheng served as financial manager and head of finance of Grand Fortune Property Development Limited* (大鴻地產發展有限公司) from March 2013 to February 2017. From March 2018 till now, Mr. Cheng has served as the chief operating officer, investment director and chief investment officer of China Daisy Asset. He obtained the Bachelor of Science in Computer Science with Business and Management from The University of Manchester in 2011. Mr. Cheng is a member of Guangzhou Tianhe 9th Committee of China People's Political Consultative Conference* (中國人民政治協商會議廣州市天河區委員會第九屆委員) since October 2021.

Mr. Li Qi ("Mr. Li"), aged 66, joined the Company in January 2015 as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Li is a doctor of economics, a professor in E-commerce of Xi'an Jiaotong University and a doctoral tutor. Mr. Li was the vice chairman of the Steering Committee of Professional E-commerce Education of Colleges and Universities under the Ministry of Education*（國家教育部高等學校電子商務專業教學指導委員會）from 2006 to 2010 and from 2013 to 2022. Mr. Li was the deputy dean of School of Economics and Finance of Xi'an Jiaotong University and he was the director of the E-Commerce Institute of Xi'an Jiaotong University*（西安交通大學電子商務研究所）. Mr. Li was a member of the Discipline Development and Major Setting Experts Committee under the Ministry of Education*（國家教育部學科發展與專業設置專家委員會）from 2006 to 2010. He was also a member of the E-commerce Experts Consultative Committee under the Ministry of Commerce*（國家商務部電子商務專家諮詢委員會）from 2012 to 2015 and a member of the Shanxi Decision marking and Advisory Committee*（陝西省決策諮詢委員會）since 2014. Mr. Li is the director of the Shanxi Key Laboratory of E-Commerce and E-Government*（陝西省電子商務與電子政務重點實驗室）and the director of the National Joint Laboratory for all colleges and universities*（全國高校電子商務與電子政務聯合實驗室）. Mr. Li was conferred the honorary title "Top Teacher*（教學名師）" by the Xi'an Jiaotong University in 2007. He was awarded the Honorary Memorial Award for Top One Hundred Figures of a decade in China E-commerce*（中國電子商務十年百人榮譽紀念獎）by the Internet Society of China in 2008 and the Outstanding Contribution Award in 10 Years' Development of China E-commerce*（中國電子商務十年發展突出貢獻獎）by China Electronic Commerce Association in 2009 and won the Second prize of National Teaching Achievement Prize*（國家級教學成果二等獎）in 2009. The Research of Enterprise E-commerce Development in Zhengzhou*（鄭州市企業電子商務發展研究）under the charge of Mr. Li was awarded "Outstanding Decision-making Research Achievement*（決策研究優秀成果）" by the People's Government of Zhengzhou in 2010. He was also awarded "Outstanding Science Researcher in Humanities and Social Sciences*（人文社會科學優秀科研工作者）" by Xi'an Jiaotong University in 2010.

Mr. Wong Kai Hing ("Mr. Wong"), aged 47, joined the Company in November 2019 as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Wong has been re-designated as the chairman of the Audit Committee on 27 March 2020. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Financial Analyst. He holds a Bachelor's degree in Business Administration in Professional Accountancy from the Chinese University of Hong Kong in 1997. Mr. Wong obtained a Master of Business Administration from the Chinese University of Hong Kong in 2006. Mr. Wong has over 20 years of experience in the field of company secretarial, auditing, finance and accounting and worked in various listed companies and an international accounting firm in Hong Kong. Prior to his appointment, he was the chief financial officer and company secretary of Xiwang Property Holdings Company Limited (stock code: 2088) and Xiwang Special Steel Company Limited (stock code: 1266) from November 2015 to October 2019 respectively. Mr. Wong is the independent non-executive director of Grown Up Group Investment Holdings Limited (stock code: 1842), a company listed on Main Board of the Stock Exchange with effect from 21 April 2021. Mr. Wong is also the independent non-executive director of Hon Corporation Limited (stock code: 8259), a company listed on GEM of the Stock Exchange with effect from 20 January 2022. Mr. Wong is currently working as the company secretary of E-Star Commercial Management Co. Ltd.* (星盛商業管理股份有限公司) (stock code: 6668), a PRC-based commercial property operation services provider and a company listed on the Main Board of the Stock Exchange. Mr. Wong has been appointed as an independent non-executive director of Xiwang Property Holdings Company Limited (stock code: 2088), a company listed on the Main Board of the Stock Exchange, since 15 February 2022.

COMPANY SECRETARY

Ms. Cheung Man Yin ("Ms. Cheung"), was appointed as the company secretary of the Company on 7 July 2020. Ms. Cheung has over eighteen years of experience in finance and accounting. Ms. Cheung obtained a degree of Bachelor of Science in Applied Accounting. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

INTRODUCTION

This Environmental, Social and Governance Report (the "**ESG Report**") provides an overview of the environmental, social and governance (the "**ESG**") initiatives, plans and performance of the Group, and demonstrates the Group's commitment and adherence to sustainable development. While it is the Group's conviction that ESG policies have a profound impact on the future development of the Group, the business model of the Group also has a profound impact on society, the environment and various stakeholders. Therefore, the ESG Report will elaborate on the Group's ESG philosophy, related initiatives and performance and future plans. In the future, the Group continues to endeavour to insist on incorporating ESG factors into its risk management system and take corresponding measures from the perspective of daily operation and governance.

The Group mainly focuses on the development of the self-owned "OTO" brand with its principal activities including but not limited to (i) products design and development; (ii) brand promotion and management; and (iii) products sales. The Group is committed to providing quality, safe and convenient products to consumers and promoting healthy living through the products so as to fulfil its corporate social responsibilities. The Group will continue to implement and optimise energy efficiency measures to improve productivity and reduce the Group's impact on the environment and society. In addition, in terms of corporate governance, the Group will continue adhering to the principle of putting employees and customers first, and to reduce employee turnover through comprehensive and effective production safety guidelines and generous employee benefits. The Group will also continue to maintain its positive corporate image through up-to-date, safe and quality products.

The Group is pleased to present its ESG Report for the financial year ended on 31 December 2021 ("**FY2021**" or the "**Reporting Period**") to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2021. Information on the Group's governance structure and practices is set out in the corporate governance report on pages 43 to 57 of this annual report. The information in this ESG Report was gathered through a wide range of channels to ensure data richness, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the statistics of the Group's annual performance in business operations and sustainable development. This ESG Report was prepared in full compliance with the ESG Reporting Guide as set out in Appendix 27 of the Main Board Listing Rules on The Stock Exchange of Hong Kong Limited ("**HKEx**"). The Group has strictly studied and followed the requirements and recommended steps to measure, record, evaluate and disclose its ESG performance during the year under review.

Reporting Scope

Taking Operational Control Approach as the basis for defining the boundary of the ESG Report, the Group has evaluated its business operations from the perspective of environmental and social impacts under the principle of Materiality, and determined the reporting scope by covering the Group's major operational sites in Mainland China, Hong Kong, Macau and Singapore. During the Reporting Period, OTO Malaysia shut down its retail outlets and its operations as the pandemic outbreak has continued to run rampant in Malaysia, as such it is excluded from the Reporting Scope. With the exception of the environmental section, the rest of the information in the ESG Report is disclosed on a Group-wide basis. The Group has collected ESG-related key performance indicators ("**KPIs**"), as shown in the ESG Report and supplemented by notes for benchmarking purposes. The Group will continue to assess the key ESG aspects of the different businesses to determine whether they are required to be included in the ESG Report. This ESG Report was prepared in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

Reporting Principles

The preparation of this ESG Report followed the Reporting Principles set out in the ESG Guide. The main content of this ESG Report was organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, which were applied throughout the entire reporting process.

Materiality:

The Group adopted the principle of Materiality through ESG Materiality Assessment, prioritising the ESG issues and associated risks and opportunities that are of paramount importance to the Group. The materiality outcome has been approved by the Board and utilised as a guidance for the information disclosure as well as long-term business development of the Group.

Quantitative:

The Group generated a comprehensive disclosure of its environmental and social performance in a quantifiable manner. Specifically, the ESG Report covers the Group's annual emissions, use of various types of resources, number of employees, turnover rates, etc. that reflect the application of the principle of Quantitative.

Balance:

Adhering to the principle of Balance, the Group transparently unveiled both its achievement and rooms for improvement in ESG management through performance comparison and progress analysis.

Consistency:

The Group utilised a consistent set of methodologies for greenhouse gas ("**GHG**") accounting and reporting framework that is coherent with its previous work.

ESG GOVERNANCE & STRATEGY

The Group has adopted a top-down management approach and strategy to its ESG issues. The Board takes the lead on and oversees the Group's ESG issues. The Board, together with the Group's Chief Executive Officer, monitors and formulates the ESG strategy for the Group and is responsible for ensuring the effectiveness of the Group's risk management and internal controls. The Group has arranged designated personnel from various departments to form a taskforce, which is led by the Group's vice president, to manage the ESG issues of the Group in order to develop an effective and systematic approach to the ESG matters. The taskforce is responsible for collecting relevant information on ESG aspects so as to prepare the ESG report. The taskforce is responsible for reporting to the Board on a regular basis to help them identify, assess and prioritise the ESG risks of the Group, as well as to evaluate the implementation and effectiveness of the Group's internal control system.

Through achieving such goals, the Group believes better quality, safe and more convenient products with healthier living are provided to its consumers, energy efficiency are optimized and productivity are enhanced, thereby reducing the Group's impact on the environment and society.

STAKEHOLDER ENGAGEMENT

The Group understands that the success of business mainly depends on the support from its key stakeholders, therefore the Group attaches great importance to stakeholders' feedback related to the Group's business and the ESG. In order to understand and address the key concerns of stakeholders, the Group has put in place a series of measures to establish and maintain close communication channels with key stakeholders. The Group's key stakeholders include those who (i) have invested or will invest in the Group; (ii) have the ability to influence the outcomes of the Group; and (iii) have interest in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships.

The Group takes into account the expectations and concerns of its stakeholders by utilising a variety of engagement models and communication channels in developing its business and ESG strategies. The following table provides an overview of the Group's stakeholders and the various communication approaches and their concerns and expectations for the Group.

Stakeholders	Communication Channels	Expectations and concerns
Investors and Shareholders	— Annual general meeting and other shareholders' meetings — Financial reports and announcements	— Low risk — Return on the investment — Information disclosure and transparency — Protection of interests and fair treatment of shareholders
Customers	— Website and brochures — Email and customer service hotline — Regular meeting	— Safe and high-quality products — Stable relationship — Information transparency — Integrity — Business ethics
Employees	— Trainings, seminars and briefing sessions — Cultural and sport activities — Newsletters — Internet and emails	— Safeguard the rights and interests of employees — Working environment — Career development opportunities — Salaries and benefits — Health and safety
Suppliers/Partners	— Business meetings, supplier conferences, phone calls, interviews — Regular meeting — Review and assessment — Tendering process	— Long-term partnership — Honest cooperation — Fair and impartial — Information resources sharing — Risk reduction
Regulatory bodies and government authorities	— On-site inspections and examinations — Research and discussion through work conferences, work reports preparation and submission for approval — Annual reports — Website	— Comply with the laws — Proper tax payment — Promote regional economic development and employment
Communities, non-governmental organisations and media	— Media release — Annual reports — ESG reports	— Contribute to the society — Environmental protection — Social welfare — Health and safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to working with its stakeholders and developing mutually beneficial relationships to enhance its ESG performance, and to continue to deliver greater value for the wider community in order to promote sustainable development of markets, workplaces, communities and the environment.

MATERIALITY ASSESSMENT

As ESG risks and opportunities for companies vary across industries and are highly subject to corporate backgrounds, business models, operational characteristics, the Group undertook an annual materiality assessment through engagement with external stakeholders. In order to better understand stakeholders' views and expectations on the Group's ESG performance, the Group has adopted a systematic approach in conducting the annual materiality assessment. The steps of the materiality assessment process are set out in the following table:

Step 1: Identification

List out key areas through benchmarking policies, industry standards, and corporate development strategies.

Step 2: Stakeholder Engagement

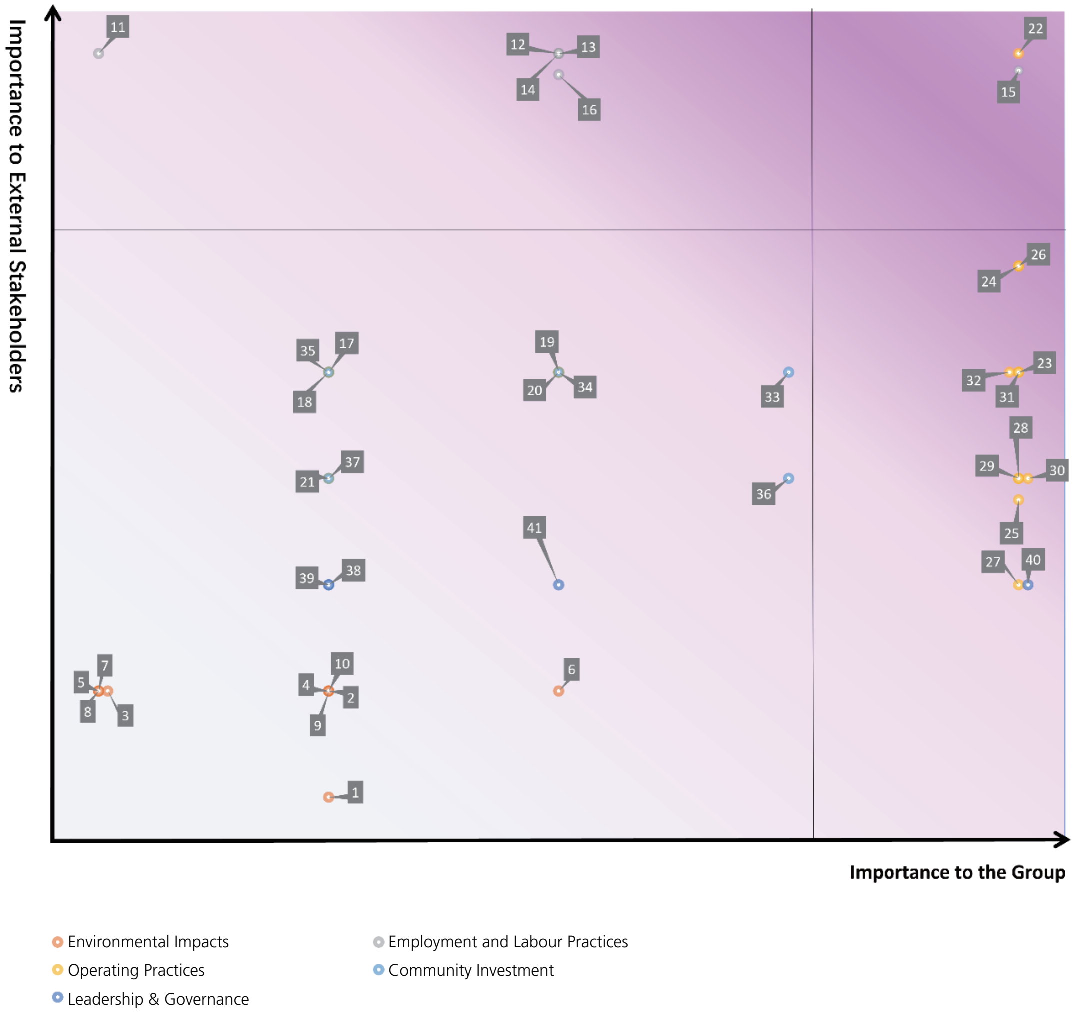
Stakeholders such as employees and customers were invited to assess the materiality of each topic through a survey. Stakeholders were also given the opportunity to express their views on the Group's ESG performance through open-ended questions.

Step 3: Validation

Key topics were analysed and ranked based on the survey results. Management reviewed and discussed the views of stakeholders and the results of the materiality assessment to determine the focus of disclosure and future directions for improving ESG performance.

The Group's ESG materiality matrix in FY2021 is as follows:

Stakeholder Engagement Materiality Matrix



1	GHG Emissions	15	Preventing Child and Forced Labour	29	Product Design & Lifecycle Management
2	Air Pollution	16	Labour Practices	30	Access & Affordability
3	Energy Management	17	Green Procurement	31	Business Ethics & Anti-corruption
4	Water & Wastewater Management	18	Communication and Engagement with Suppliers	32	Internal Communication & Grievance Mechanism
5	Solid Waste Stewardship	19	Environmental Risk (e.g. pollution) Management of Supply Chain	33	Community Engagement
6	Materials Management	20	Social Risk (e.g. human rights or corruption) Management of Supply Chain	34	Participation in Philanthropy
7	Land Use, Ecosystem and Biodiversity	21	Supply Chain Materials Sourcing & Efficiency	35	Cultivation of Local Employment
8	Climate Change Mitigation & Adaptation	22	Health and Safety Relating to Products/Services	36	Local Environmental Protection
9	Packaging Material Management	23	Customers Welfare	37	Support of Local Economic Development
10	Renewable and Clean Energy	24	Marketing and Promotion	38	Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities
11	Diversity & Equal Opportunity	25	Intellectual Property Rights	39	Management of the Legal & Regulatory Environment (regulation-compliance management)
12	Employee Remuneration and Benefits	26	Product Quality	40	Critical Incident Risk Responsiveness
13	Occupational Health and Safety	27	Customer Privacy and Data Security	41	Systemic Risk Management (e.g. Financial Crisis)
14	Employee Development and Training	28	Labelling Relating to Products/Services		

According to the materiality analysis matrix, the Group identified "Preventing Child and Forced Labour" and "Health and Safety Relating to Products/Services" as topics that were of great significance to both the Group and its stakeholders. The Group confirms that it has established appropriate and effective management policies and internal control systems for aforementioned material ESG matters and that the disclosures made are in compliance with the ESG Reporting Guide.

Contact us

The Group attaches great importance to the feedback and suggestions from stakeholders on the Group's sustainability performance. You can provide valuable suggestions on the ESG report or the Group's sustainability performance by:

Hotline: 852-2543 6880
Fax: 852-2466 6880

ENVIRONMENTAL ASPECT

As a non-manufacturing enterprise, the Group does not have significant adverse impact on the environment. However, the Group still strives to minimise the potential impacts on the environment and society in which the Group operates in order to fulfil the Group's commitment to social responsibility and to contribute to environmental protection.

Due to our business nature, we recognise that our day-to-day operations can directly or indirectly affect the environment. Therefore, we have formulated related environmental protection policies to protect and improve the environment and to promote the sustainability of our business. We maintain the principles of emission reduction and resource efficiency in our approach to environmental management by implementing various measures and adopting best practices that promote energy efficiency, waste reduction and other green initiatives. The Group is also committed to educating our employees to raise their environmental awareness and to comply with relevant environmental laws and regulations. Within our policy framework for environmental sustainability, we are constantly looking for opportunities to implement environmental initiatives to improve our environmental performance by reducing energy consumption and other resources consumption.

During the Reporting Period, the Group was not aware of any material non-compliance with the applicable laws and regulations in the areas in which it operated that have a material impact on the Group, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Environmental Protection Law of the People's Republic of China and Environmental Protection and Management (Vehicular Emissions) Regulations (Reg 6.) in Singapore. Besides, the Group was not aware of any illegal and harmful discharges to air, water and land and generation of hazardous and non-hazardous waste that may have a significant impact on the Group or its environment.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, the use of resources and the environment and natural resources in FY2021.

Emissions

Exhaust Gas Emission

In FY2021, the main emissions from the Group's operations were from petrol and diesel consumed by vehicles. In respect of such sources of emissions, we have actively taken the following emission reduction measures to reduce the adverse impact of emissions on the environment and the risk of illnesses caused by air pollution in the community:

- Perform regular vehicle inspections and maintenance to improve vehicle efficiency;
- Educate employees to turn off idling vehicle engines;
- Encourage the use of public transportation for business travel;
- Use electronic means of communication such as video conference to reduce the frequency of business trips; and
- Actively take other emission reduction measures, as described in the "GHG Emission" section in this aspect.

During the Reporting Period, the Group's air pollutant emission decreased by approximately 47.6% due to OTO Malaysia being compelled to close its retails outlets and its operations as the pandemic outbreak continued to rampage in Malaysia, which led to a significant decrease in the air pollutant emission during the Reporting Period. The Group's air pollutant emission performance is shown in as follows.

Types of pollutants	Unit	Emission	
		2021	2020
Sulphur oxides (SO_x)	Kg	0.20	0.28
Nitrogen oxides (NO_x)	Kg	69.57	133.00
Particulate matter (PM)	Kg	6.58	12.43

GHG Emission

In FY2021, the Group's GHG emission mainly consisted of direct and indirect GHG emissions, which included fuel consumed by transportation (Scope 1) and purchased electricity (Scope 2). During the Reporting Period, the Group's GHG emission intensity maintained at almost the same level at that in the previous financial year ended 31 December 2020 ("**FY2020**"), while its overall GHG emission dropped by 13.3%. The Group's GHG Emission performance is as follows:

Indicator[1]	Unit	Emission	
		2021	2020
Direct GHG Emission (Scope 1)	tCO_2e	32.52	49.27
Energy indirect GHG Emission (Scope 2)	tCO_2e	126.58	134.28
Total GHG Emission	**tCO_2e**	**159.10**	**183.55**
GHG Emission intensity	tCO_2e/m^2	0.0085	0.0084

Note:

1. GHG Emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. For the financial year ended 31 December 2021, the area of the Group's operating sites was approximately 18,777.87 m^2. The data is also used for calculating other intensity data in this ESG Report.

Sewage Discharge

Our business activities do not consume significant amounts of water and therefore we do not generate significant amounts of sewage from our business activities. As the sewage generated by the Group is discharged to the public sewerage system, the amount of sewage discharged is considered as water consumption. The amount of water consumption and corresponding water conservation measures are described under "Water Management".

Waste Management

Non-hazardous wastes will be generated during the course of the Group's operations. In order to reduce the impact of waste on the environment, the Group continues to take various waste management and emission reduction measures in strict compliance with relevant laws and regulations.

Hazardous Wastes

During the Reporting Period, the Group did not generate any hazardous waste. If any hazardous waste is generated, the Group will engage qualified chemical waste collectors to dispose of such waste while complying with relevant environmental laws and regulations.

Non-hazardous Wastes

Non-hazardous wastes generated from the Group include paper and plastic. The waste is mainly generated from daily office operations. The Group has taken various environmental measures to reduce both hazardous and non-hazardous wastes. The Group considers the use of recyclable and durable packaging materials as one of the selection criteria for the selection of suppliers. The Group engages qualified recyclers to recycle waste packaging materials. For disposed decoration materials generated in retail outlets, the Group would transfer them to the malls' designated disposal sites. We have reused product components, promotional brochures, sales props and decorations. The removed non-recyclable parts of products are sold to qualified recyclers. We strive to achieve the goal of waste reduction, reuse and recycling in our operations. Since the products sold by the Group are packaged by the product suppliers, and the packaged products are delivered directly to the customers, the Group has not collected a full spectrum of data of the total weight of all packaging materials used for its finished products during the Reporting Period. In FY2021, the Group recorded around 10 tonnes of paper-made boxes for packaging purposes. We promote awareness of waste reduction and environmental protection to employees through internal publicity, such as sending messages to employees, and encourage employees to reuse single-sided non-confidential print-out. The Office Automation system is used to substitute paper records for administrative processes and leave applications. We also provide appropriate facilities in the office to encourage employees to sort waste sources and recycle waste.

During the Reporting Period, the Group's non-hazardous wastes generated amounted to approximately 442 tonnes, and the intensity of non-hazardous wastes was approximately 0.02 tonnes/m^2, which showed a dramatic decline as compared with FY2020.

Resource Utilisation

The Group adheres to the basic principles of water conservation and recycling, insists on and advocates the efficient use of resources, and strives to optimise the use of resources in all business operations. As a non-manufacturing enterprise, we do not have a significant adverse impact on the environment and natural resources, but we still strive to contribute to environmental protection. For example, when renovating or refurbishing retail outlets, we require our contractors to consider safe and environmentally-friendly renovation materials, and also adopt the "reduce, reuse, recycle and replace" waste management principles and emission reduction policy.

Energy Consumption

The Group considers environmental protection as an essential component of a sustainable and responsible corporation. The Group is committed to implementing energy saving policies and standards, regularly reviewing various energy consumption targets and energy saving indicators of the industries, promoting energy saving and emission reduction, and continuously improving the efficiency of energy usage to achieve energy saving, while promoting resource saving and implementing suitable energy saving measures in order to improve the energy saving performance. The Group has also established energy saving and green management measures to reduce energy consumption as much as possible. In the meantime, the Group promotes the importance of energy saving among its employees by sending related reminders or messages through emails and messages, recommending them to switch off all the electrical appliances by the end of the working day, and unplugging electrical appliances that are not in use for a long time to save power consumed when they are left on standby mode. The Group encourages all of its employees to set their computers to sleep-mode automatically when they leave the computers idle for a certain period of time. The Group encourages its employees to turn off the lights and all electrical appliances after the meeting to develop a good habit of turning off the lights after use. Air-conditioners are set within a reasonable range of around 25 degrees Celsius.

During the Reporting Period, the Group's total energy consumption decreased remarkably by 20.8% mainly due to the change in reporting scope caused by the close of business in Malaysia. The Group's energy consumption is as follows:

Energy Consumption	**Unit**	**Consumption**	
		2021	**2020**
Direct energy consumption	**MWh**	**129.66**	**189.85**
Petrol	MWh	40.90	32.58
Diesel	MWh	88.76	157.27
Indirect energy consumption	**MWh**	**221.03**	**253.11**
Purchased electricity	MWh	221.03	253.11
Total energy consumption	**MWh**	**350.69**	**442.96**
Energy consumption intensity	MWh/m^2	0.02	0.02

Water Consumption

Water is another important natural resource of the Group. Other than the domestic water used in office which was provided and managed by the management office of the office building, the Group does not consume water during daily operation. Retail outlets and warehouses generally share the same fresh water and drainage system with shopping malls or properties. During the Reporting Period, the Group did not face any issues in sourcing water fit for its purpose. The Group's water consumption is as follows:

Water Consumption	**Unit**	**Consumption**	
		2021	**2020**
Water consumption	Tonnes	260.2	1,728.24
Water consumption intensity	Tonnes/m^2	0.01	0.08

The Environment and Natural Resources

In order to improve resources efficiency and reduce energy consumption, the Group has carefully identified and prioritised its material environmental impacts, which have been elaborated above, and implemented various measures that focus on eco-friendly operations, including replacing traditional lamps with LED lights, reminding employees to shut down all electrical equipment after work, adjusting air-conditioning temperature to around 25 degree Celsius, encouraging duplex printing, recycling printed paper, and reusing office supplies, etc. The Group also adopts the Enterprise Resources Planning (ERP) system to optimise resource allocation and management during procurement, logistics and sales of "OTO" products, thereby reducing resources consumption.

Goals and Proposed Steps

As the business segment did not cause significant impacts on the environmental and natural resources, the Group has focused its efforts on building a target-oriented sustainability strategy that leads the Group to minimise environmental footprint and contribute to the wellbeing of our ecosystem. Considering the constancy of the Group's business, it is believed that there is not much room for aggressive environmental goals at the time being. As such, the Group sets a series of preliminary goals which will be reviewed regularly and modified accordingly when deem needed by the Board.

Environmental aspects	Goals	Proposed plans & actions
Emissions	Taking FY2021 as the base year, the Group aims to maintain its GHG emission intensity within the same reporting scope through to 2025.	Launch initiatives on electricity conservation and strengthen internal education on energy reduction.
Waste Management	Taking FY2021 as the base year, the Group aims to maintain its waste amount intensity within the same reporting scope through to 2025.	Encourage employees to embrace the implementation of "3R" principles in operations. For instance, the Group used 1,509 kg paper and recycled a total 159 kg waste paper. In addition, the Group recycled approximately 24 tonnes of other types of waste materials in FY2021.
Energy Efficiency	Taking FY2021 as the base year, the Group aims to maintain its energy consumption intensity within the same reporting scope through to 2025.	Launch initiatives on electricity conservation and strengthen internal education on energy reduction.
Water Consumption	—	Since water is not material to the Group given its business nature, the Group does not set any definite water-related goals at the current stage.

Climate Change

Given the business nature, the Group has concentrated on identifying potential climate-related risks and addressing the threats posed by climate change on its capability of creating long-term value for its stakeholders. Specifically, the physical risks including extreme weather events may impact the Group's traditional sales channels including retail outlets at shopping malls and department stores. To improve business resilience towards climate-related risks, the Group has been committed to expanding its internet sales, striving to build a diversified sales network to adapt to the adverse impacts of climate change.

SOCIAL ASPECT

Employment

The Group advocates equality of opportunity and culture diversity. During the employment process, the principles of fairness, equality and openness were upheld and the Group did not discriminate applicants by their age, gender, religion, etc. during the recruitment process. Moreover, the Group strictly complies with relevant laws and regulations in terms of prohibiting the employment of juveniles in countries or regions where its business operates. The Group complies with the Employment of Young Persons (Industry) Regulations in Hong Kong, the Children and Young Person Act (CYPA) 2001 in Singapore and the Child & Juvenile Worker Regulations in the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with the applicable employment laws and regulations that had a significant impact on the Group.

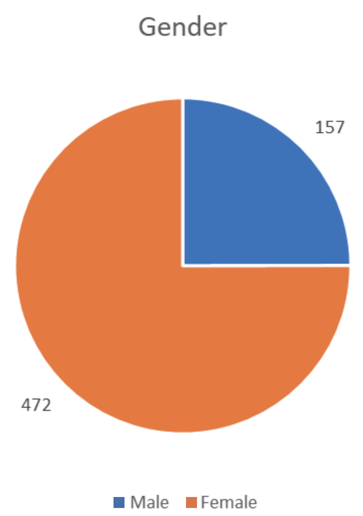
Furthermore, the employment contracts provide for recruitment, compensation, dismissal, remuneration, promotion, various employee benefits, training opportunities and equal opportunities, etc., so that employees have a system to follow and their rights are protected. The adoption of these human resources policies ensures that the Group complies with the relevant labour laws and regulations in the places where it operates, including the Employment Ordinance in Hong Kong, the Labour Law of the People's Republic of China and the Employment Act in Singapore. The Group regularly reviews and, where necessary, revises and updates the relevant policies to ensure that they are up-to-date.

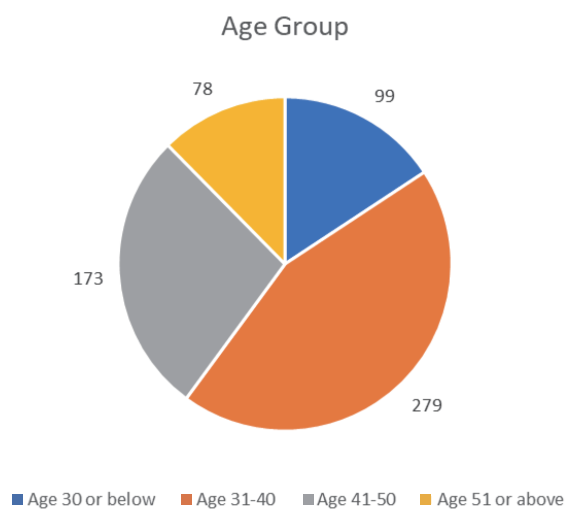
The Group has a clear basis and process for managing the promotion of employees. According to the performance mechanism, the Group is able to dynamically adjust employees' salary and award bonuses based on their performance, experience, working attitude and the Group's performance to provide attractive employee benefits to all talented employees.

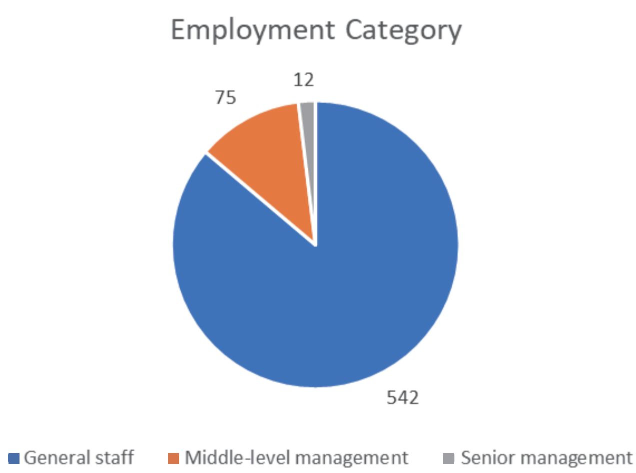
The Group protects the legitimate rights and interests of the labour force in accordance with the requirements of the regulations, respects the rights of employees to rest and leave, and regulates the working hours of employees and their rights to various types of rest periods and holidays. In order to monitor the employees' attendance and eliminate forced labour, the Group has formulated work attendance regulation.

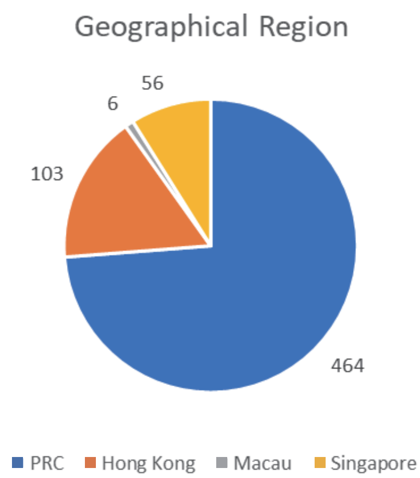
For its employees in Hong Kong, the Group participates in Mandatory Provident Fund ("**MPF**") Schemes in accordance with the MPF Schemes Ordinance in Hong Kong. The Group also participates in the Macau's mandatory social security funds and makes contributions in accordance with the provisions in the Macau Social Security System and provides employees compensation insurance to its employees. For the employees in the Mainland China, the Group offers work-related injury (or accidental injury) insurance, hospital medical insurance, retirement pension and housing provident fund in accordance with the Social Insurance Law of the People's Republic of China, the Regulations on Administration of Housing Provident Fund and other provisions. For employees in Singapore, the Group provides appropriate welfare according to applicable laws and regulations on social security and housing provident fund.

As at 31 December 2021, the Group had 629 employees, among which 620 were full-time employees and 9 were part-time employees. Below is the employee breakdown by gender, age group, employment category and geographical region.









During the Reporting Period, the employee turnover rates by gender, age group and geographical locations are as follows:

Categories	**Turnover Rate**
Total employee turnover rate	24.0%
Gender	
Male	17.2%
Female	26.3%
Age Group	
Aged 30 or below	46.5%
Aged 31 – 40	22.2%
Aged 41 – 50	21.4%
Aged 51 or above	7.7%
Geographical Locations	
PRC	28.2%
Hong Kong	16.5%
Singapore	5.4%

During the year under review, the Group implemented its internal policies and was not aware of any material non-compliance with relevant laws and regulations with regard to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Health Development

The Group considers its employees as its most valuable asset, therefore the Group is committed to educating all employees on safety and providing a safe and healthy working environment. To achieve this, the Group has implemented various measures, for example, providing medical insurance for its employees, cleaning air outlets regularly to reduce the dust level of indoor air and increase efficiency of the ventilation system and cleaning carpet regularly to prevent breeding of bacteria, fungi and mites. The Group has established a mechanism and effective policies regulating safety and labour practices in line with applicable health and safety standards for implementation, under the management and monitoring of internal departments assigned by the Group.

During the Reporting Period, the Group was not aware of any material non-compliance with applicable health and safety related laws and regulations that have had a significant impact on the Group, including but not limited to the Workplace Safety and Health Act in Singapore, Occupational Safety and Health Ordinance in Hong Kong and the Occupational Safety and Health Act in the PRC. During the Reporting Period, the Group did not have any accidents resulting in death or serious dismemberment. In FY2021, the Group recorded 5 cases of work-related injuries with 6 people injured. A total of 227 days were lost due to the injuries.

Number and Rate of work-related fatalities of the Group in past three financial years

Year	FY2021	FY2020	FY2019
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0	0	0

Responding to COVID-19

With the global spread of COVID-19, the Group has been extremely concerned about the potential health and safety impact of COVID-19 on its employees and customers. In order to minimise the risk of cross-infection and to ensure the safety and health of all employees of the Group, we have closely monitored the situation of the pandemic to ensure the safe and orderly prevention of the pandemic. In the meanwhile, the Group has formulated a number of measures and work plans for the prevention and control of the pandemic to comply with the pandemic prevention policies of the local government at each operation, including but not limited to the formulation of a work plan for the prevention and control of the COVID-19, the arrangement of health registration and daily temperature measurement, the formulation of a training manual on the prevention and control of COVID-19, the mandatory wearing of masks by all employees and customers, the promotion of frequent hand washing, and the cleaning and disinfection of offices, stores, warehouses and transportation.

Development and Training

The Group has established training related policies to regulate the training management of employees. The management will regularly review the effectiveness of different training plans to help improve the efficiency of the Group's training system. The Group actively assists employees in their long-term career planning by providing them with a wide range of training. Before taking up their positions, new employees are required to participate in orientation training, and all employees are required to participate in on-the-job training every year. The training contents vary for different positions so as to ensure that the development of employees can align with the actual work needs, and to complement and support the Group's strategic goals and directions at the same time. The contents for employees in charge of research and development include topics such as technical development trends, new technology development and application, etc.; the contents for employees in charge of marketing include topics such as market status and trends, market behaviour, marketing management techniques, advertising, media, etc.; the contents for employees in charge of logistics service include topics such as warehousing, purchasing and supply management, etc.; and the contents for employees working at retail outlets include topics such as product features, sales skills, customer services, etc. The training methods of the Group include internal training and external training. Internal training is held by the internal departments of the Group, and the external training involves the hiring of experienced individuals to give lessons, participation in academic exchanges and expert lectures, onsite visits, participation in training in the leading enterprises in the same industry and so on. After each training activity is organised, both the human resources department and the employee's own department assess the training outcomes.

Percentage of Employees Trained in the Group by Gender and Employee Category in FY2021

Categories	**% of employees trained**
Total employees trained	69.2%
Gender	
Male	17.0%
Female	83.0%
Employee Category	
General employees	97.0%
Middle Management	1.8%
Senior Management	1.2%

Training Hours Received by the Employees of the Group by Gender and Employee Category in FY2021

Total training hours *854 hours*

Categories	**Average training hours**
Average training hour per employee	1.4
Gender	
Male	1.6
Female	1.3
Employee Category	
General employees	1.5
Middle Management	0.3
Senior Management	0.3

Labour Standards

Prevention of Child Labour and Forced Labour

The Group strictly complies with national and local employment laws and regulations prohibiting the employment of child labour and forced labour in its business operations. During the Reporting Period, the Group was not aware of any material non-compliance with applicable laws and regulations relating to child labour and forced labour that had a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China, the Provisions on Prohibition of Child Labour of the PRC, the Employment Ordinance of Hong Kong and the Employment Act of Singapore.

The Group requires all new employees to provide true and accurate personal information upon joining the Group and takes reasonable action to verify the accuracy and authenticity of such information by checking academic credentials and identification to prevent any incidental employment of child labour or potential dereliction of duty. In the event of any exceptions, the Group will follow established management procedures to hold the employee concerned accountable and protect the personal safety of the forced employee. If there is a violation of the law, we will also report it to the regulatory authorities to prevent similar problems from arising. The Group will also conduct regular reviews and inspections to prevent any child labour and forced labour in its operations.

Operating Practices

Supply Chain Management

The Group attaches great importance to the potential environmental and social risks in the supply chain and believes that supply chain management can indirectly help reduce environmental and social risks. Therefore, the Group has established a series of strict and standardised processes for supply chain management and supplier selection. The goods purchased by the Group can be categorised into "OTO" products and supplies for retail outlets, warehouses and offices. For "OTO" products, the procurement of raw materials and production of products are outsourced to external manufacturers. While selecting a product manufacturer, the Group evaluates its history record, financial strength, production experience, reputation, production capacity of high-quality products and quality control effectiveness. Meanwhile, the environmental and social performance of manufacturers is also an important part of the evaluation of their performance and standards, of which the Group makes use to identify and minimise the potential environmental and social risks along its value chain. For instance, manufacturers who obtain ISO 14001 and ISO 9001 certificates are preferred by the Group.

To ensure that the quality and safety of the products provided by the manufacturers are maintained at a high standard, the Group will conduct regular reviews and evaluations of the existing manufacturers through engagement. If a manufacturer's quality compliance rate falls below 90% three times in a row during the supply period, the Group will remove the non-compliant supplier from the list of approved suppliers. Meanwhile, the Group organises tenders from time to time to attract new qualified manufacturers so as to enhance the competitive awareness of manufacturers.

Apart from product manufacturers, the Group's sales business in the Mainland China also requires selection of warehousing and logistics service providers. In order to effectively control the operation costs of warehousing and transportation, the Group selects warehousing companies according to the factors such as degree of standardization, inventory operation, logical stacking and field investigation. Besides, the market reputation, customer service quality, transportation efficiency and trial service performance are also key factors in evaluating the logistics companies. The Group strictly requires its suppliers to share its social responsibility and to comply with relevant laws and regulations such as the labour laws of the places where they operate to ensure that the relevant corporate policies of the suppliers are in line with the policy direction of the Group.

The Group adheres to the principle of eco-friendly procurement in implementation of Green Procurement, giving priority to products with good energy efficiency and "green" elements, as well as suppliers that have obtained the ISO 14001 certificate, which demonstrates the capability of suppliers in maintaining sound environmental management system and continuously improving their environmental performance through more efficient use of resources and reduction of waste. Under the supervision and monitoring of the Group's departments responsible for procurement, the principle of Green Procurement has been implemented in daily operations of the Group.

The general supply chain management policies apply to almost all the suppliers of the Group. During the Reporting Period, the Group had a total of 36 suppliers, among which 35 were located in the PRC.

Product Responsibility

The Group places great emphasis on product quality and corporate reputation. Therefore, the Group has been proactive in ensuring that the quality of the products and the needs of customers are consistent through stringent supplier selection and internal controls. During the Reporting Period, the Group strictly complied with the laws and regulations relating to health and safety, advertising, labelling and privacy matters and remedies for its products and services, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests, Advertising Law of the People's Republic of China, Patent Law of the People's Republic of China, Copyright Law of the People's Republic of China, Trademark Law of the People's Republic of China, Personal Data (Privacy) Ordinance (Cap.486) of Hong Kong and the Personal Data Protection Act of Singapore. During the Reporting Period, the Group was not aware of any material non-compliance with applicable laws and regulations relating to health and safety of products and services, advertising, labelling and privacy matters and remedies that may have a material impact on the Group.

Product Quality and Safety

The Group highly values the management and monitoring of product quality. Therefore, the Group has established standardised procedures for the production of custom and mass production streams. Prior to production, the Group provides manufacturers with exact specifications and requirements for production, inspection and packaging. After manufacturers receive these production specifications, they produce samples for examination. An approval from the Group must be obtained before proceeding with mass production. At various stages of the production process, the Group arranges personnel to conduct inspections and reviews at the production site from time to time to ensure that the production process of the products is kept in a strict and orderly manner. Before shipment, the quality control staff randomly checks the first two batches of new products and conduct second inspections when the products arrive at the Group's warehouses.

The Group's manufacturers are required to ensure that all raw materials and parts of the products comply with international standards (such as European Conformity) and other standards required by the Group (such as National Standards of China). For unqualified products, the Group arranges either restoration or refund with manufacturers and the products must be retested via the above procedures after restoration. The Group has entered into a "Product Manufacturing Agreement" for the manufacture of products, which requires that the manufacturer should replace defective products or refund within 14 days after receiving notice. If the number of unqualified products exceeds 3% of the total number of purchase order, the Group can return all unqualified products, or request the manufacturers to return the payment of the order and compensate for the loss.

In accordance with the laws and regulations on product safety in countries or regions where it operates, the Group clearly places Chinese and English warning labels regarding safe storage, use or disposal of the products on a prominent position of all products' packaging. During the Reporting Period, the Group received zero complaint. The Group was not aware of any material non-compliance with applicable laws and regulations relating to the products during the Reporting Period.

Intellectual Property and Privacy Protection

Intellectual property is an important intangible asset for the Group. The Group understands the importance of protecting and strengthening intellectual property rights, and relies on relevant laws and regulations in countries or regions where it operates, including but not limited to the Copyright Ordinance of Hong Kong and the Trademark Law of the People's Republic of China to protect the Group's intellectual property rights. In the meantime, the Group has entered into a "Product Manufacturing Agreement" to ensure that the Group's intellectual property will not be granted to manufacturers. When selecting a manufacturer, the Group will stringently review and verify the manufacturer's ownership of the relevant intellectual property rights, and will request it to submit a copy of the intellectual property documents in relation to its products and to bear all responsibilities of the products it supplies if such products infringe the third party's intellectual property rights. The Group also abides by the laws and regulations to prevent infringing the trademark rights, patents and copyrights of third parties.

Besides, the Group also respects the privacy rights granted to individuals by the law. Customer information, maintenance information and complaint information will be sealed and kept strictly confidential. The management of the corresponding department is responsible for monitoring of the implementation of the relevant policies.

Customer Services

The Group has always believed that the success of its business depends on the support of its customers. To ensure a higher standard of customer service, the Group has established a team of experienced engineers and technicians to provide quality and efficient after-sales services to its customers. The Group provides a one-year warranty for all products. Customers can arrange maintenance services or make complaints via visiting the retail outlets directly, dialling the after-sales service hotline, or sending e-mail. For the complaints about service attitude, the sales department will conduct investigation and impose penalties as appropriate. The complaining customer will be informed of the result of the investigation in due course. In addition, the Group also collects the opinions and suggestions on products from customers through customer relationship management system, in order to assist the design and development of products and enhance the quality management and services.

The Group will implement its internal policies to deal with any recall issues by following strict procedures according to relevant regulations and standards. In FY2021, the Group did not record any recalls for health and safety reasons.

Advertising and Labelling

The Group displays products through television, radio programs, newspapers, magazines, advertising posters, display boards, in-store display boards, exhibition shelves of retail stores and department stores; conducts direct advertising through direct mail, developing promotion activities and special offers with financial institutions, sponsoring health care activities and projects, participating in exhibitions and other channels; and conducts indirect advertising by engaging product spokespersons. The advertising and promotional activities carried out by the Group are in compliance with the relevant laws and regulations in countries or regions where it operates, including but not limited to the Trade Descriptions Ordinance of Hong Kong. The Group also ensures that all advertising contents are clear, real and authentic. The use of false and misleading product descriptions in advertisements is strictly prohibited.

Anti-corruption

The Group values and adheres to integrity, honesty and fairness in its business practices. The Group therefore attaches great importance to anti-corruption efforts and does not tolerate any corruption, fraud and all other unethical practices. The Group strictly complies with the laws and regulations of the countries or regions in which it operates in relation to incorruptible business practices, including but not limited to the Law of the People's Republic of China on Anti-money Laundering, the Prevention of Bribery Ordinance of Hong Kong and the Prevention of Corruption Act of Singapore. The Group also explicitly prohibits any forms of corruption, bribery or kickbacks in its labour contracts and employee handbooks. The Group's management team is also obliged to comply with the anti-corruption regulations in the policy of the head office, i.e., the controlling shareholder, Tempus Group Co., Ltd.

During the Reporting Period, the Group was not aware of any material non-compliance with applicable laws and regulations relating to bribery, extortion, fraud and money laundering that would have a material impact on the Group, and it has not been involved in any matter relating to bribery, extortion, fraud and money laundering that would have a material impact. There was zero concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

Whistleblowing Mechanism

In order to further achieve and maintain the highest standards of openness, integrity and accountability, the Group has also established an internal whistleblowing mechanism. This mechanism allows stakeholders to raise concerns about matters in a confidential manner through a suggestion box and a whistleblowing telephone number, and to establish an investigation process. The whistleblowing mechanism applies to all stakeholders, including but not limited to employees, shareholders, customers and suppliers. Employees are encouraged to report any suspected financial fraud, misconduct, fraud, regulatory irregularities, criminal activity or unethical behaviour to the whistleblowing mechanism and we will maintain communication with outside parties. Any verified acts of corruption or bribery will be reported immediately to the appropriate local law enforcement authority. The management is responsible for ensuring the implementation of the whistleblowing mechanism and continuous monitor its effectiveness.

In FY2021, while the Group did not hold any training workshops with regard to anti-corruption for its employees under the restrictions of epidemic prevention and control measures, we will explore the opportunities to promote the principle of integrity through education in the future.

Community Investment

The Group considers itself to be responsible for contributing to society and strives to be a responsible corporate citizen. As part of its strategic development, the Group is committed to encouraging and supporting its employees through social participation and contribution, and upholding the belief that it should shoulder the responsibility to contribute to society while developing the economy. The Group aims to promote social stability by actively participating in social activities and repaying the community to support the underprivileged and to improve the quality of life for the public. We are committed to being an active member of the community by supporting various charitable and community activities.

In FY2021, the Group did not participate in charitable events or voluntary activities for local communities due to the raging pandemic and social-distancing rules. Nevertheless, the Group hopes to keep developing a sense of social responsibility among its employees. As such, employees are encouraged to make a greater contribution for society by participating in charitable activities. We believe that the participation in activities that repay the society will increase the civic awareness of our employees and help set up correct values for them.

MOORE

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Tempus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as (the "Group")), set out on pages 90 to 199, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the estimation of impairment losses entails a significant degree of the inability of the customers to make the required payment. As disclosed in the Note 23 to the consolidated financial statements, the trade receivables amounted to HK$47,026,000 as at 31 December 2021. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including internal credit ratings of different customers and the Group's historical default rates taking into consideration forward looking information. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the assessment of recoverability of trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management; • Testing the ageing of trade receivables, on a sample basis, to the supporting documents and the credit term granted; • Challenging the information used to determine the expected credit losses by considering cash collection performance against historical trends and the level of credit loss charges over time; • Reviewing the reasonableness of management's judgement by comparing historical management's judgement against actual write-offs; and • Examining on sampling basis evidence related to post year end cash receipt.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in chairman's statement, management discussion and analysis, corporate governance report, environment, social and governance report and directors' report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 13 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Revenue	5	**460,682**	403,407
Cost of sales		**(239,783)**	(200,698)
Gross profit		**220,899**	202,709
Other income	6	**7,315**	15,977
Other gains and losses, net	7	**(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	18	**(3,484)**	(5,174)
Selling and distribution expenses		**(188,997)**	(168,185)
Administrative expenses		**(66,766)**	(76,174)
Finance costs	8	**(14,637)**	(38,906)
Loss before tax	9	**(73,203)**	(79,949)
Income tax expense	10	**(1,432)**	(1,439)
Loss for the year		**(74,635)**	(81,388)
Other comprehensive income/(loss) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,606**	12,023
Reclassification of cumulative translation reserve upon deregistration of a subsidiary		**(382)**	—
		6,224	12,023
Total comprehensive loss for the year		**(68,411)**	(69,365)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(74,545)**	(82,192)
Non-controlling interests		**(90)**	804
		(74,635)	(81,388)

	NOTE	**2021** **HK$'000**	2020 HK$'000
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(69,094)**	(71,854)
Non-controlling interests		**683**	2,489
		(68,411)	(69,365)
Loss per share	14		
Basic and diluted (HK$)		**(0.21)**	(0.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**25,839**	298,450
Right-of-use assets	16	**52,369**	55,080
Investments in associates	18	**7,048**	10,284
Financial assets at fair value through profit or loss	19	**—**	5,701
Deferred tax assets	20	**208**	—
Utility and other deposits paid	21	**4,487**	4,976
Pledged bank deposits	21	**978**	—
		90,929	374,491
Current assets			
Inventories	22	**36,565**	35,606
Trade, bills and other receivables	23	**77,227**	89,428
Utility and other deposits paid	21	**16,452**	13,749
Tax recoverable		**—**	37
Financial assets at fair value through profit or loss	19	**—**	1,720
Pledged bank deposits	21	**441**	1,418
Bank balances and cash	21	**110,539**	118,526
		241,224	260,484
Current liabilities			
Trade and other payables	26	**75,780**	83,232
Contract liabilities	27	**17,321**	16,105
Amount due to ultimate holding company	25	**39**	51
Amount due to an intermediate holding company	25	**73**	131
Amount due to immediate holding company	25	**549**	600
Lease liabilities	28	**32,075**	33,241
Tax payable		**2,053**	992
Bank and other borrowings – due within one year	29	**16,526**	196,654
Convertible bonds	30	**20,484**	189,469
		164,900	520,475

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Net current assets/(liabilities)		**76,324**	(259,991)
Total assets less current liabilities		**167,253**	114,500
Non-current liabilities			
Convertible bonds	30	**120,965**	—
Lease liabilities	28	**22,476**	23,451
		143,441	23,451
Net assets		**23,812**	91,049
Capital and reserves			
Share capital	31	**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		**23,812**	91,049

The consolidated financial statements on pages 90 to 199 were approved and authorised for issue by the board of directors on 13 April 2022 and are signed on its behalf by:

Zhong Yiming
Director

Yip Chee Lai, Charlie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000 (Note (a))	Other reserve HK$'000 (Note (c))	Statutory reserve HK$'000 (Note (b))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	27,231	359,575	32	2,546	(18,939)	(124,750)	(20,677)	14,067	(103,324)	135,761	24,653	160,414
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(82,192)	(82,192)	804	(81,388)
Other comprehensive income for the year												
– exchange difference arising on translation	–	–	–	–	10,338	–	–	–	–	10,338	1,685	12,023
Total comprehensive (loss)/income for the year	–	–	–	–	10,338	–	–	–	(82,192)	(71,854)	2,489	(69,365)
Transfer upon forfeiture of share options	–	–	–	(1,134)	–	–	–	–	1,134	–	–	–
At 31 December 2020 and 1 January 2021	27,231	359,575	32	1,412	(8,601)	(124,750)	(20,677)	14,067	(184,382)	63,907	27,142	91,049
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(74,545)**	**(74,545)**	**(90)**	**(74,635)**
Other comprehensive (loss)/income for the year												
– exchange difference arising on translation	**–**	**–**	**–**	**–**	**5,752**	**–**	**–**	**–**	**–**	**5,752**	**854**	**6,606**
– reclassified to profit or loss upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**(301)**	**–**	**–**	**–**	**–**	**(301)**	**(81)**	**(382)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**5,451**	**–**	**–**	**–**	**(74,545)**	**(69,094)**	**683**	**(68,411)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**1,174**	**–**	**–**	**–**	**–**	**–**	**1,174**	**–**	**1,174**
Transfer upon forfeiture of share options	**–**	**–**	**–**	**(1,147)**	**–**	**–**	**–**	**–**	**1,147**	**–**	**–**	**–**
Arising from deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(116)**	**116**	**–**	**–**	**–**
At 1 31 December 2021	**27,231**	**359,575**	**32**	**1,439**	**(3,150)**	**(124,750)**	**(20,677)**	**13,951**	**(257,664)**	**(4,013)**	**27,825**	**23,812**

Notes:

(a) Capital reserve mainly represented the difference between the aggregate share capital of the subsidiaries acquired by the Company and the Company's investment cost in a subsidiary, OTO (BVI) Investment Limited ("OTO BVI") upon the group reorganisation on 13 April 2011.

(b) Pursuant to the relevant People's Republic of China (the "PRC") regulations and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to transfer not less than 10% of their post-tax profit to statutory reserves as reserve funds until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(73,203)**	(79,949)
Adjustments for:			
Depreciation of property, plant and equipment	15	**11,996**	17,054
Depreciation of right-of-use assets	16	**39,602**	41,815
Finance costs	8	**14,637**	38,906
Share of results of associates		**3,484**	5,174
Loss on disposal of subsidiaries	7	**4,145**	—
Loss on fair value change of financial assets at fair value through profit or loss	7	**6,315**	14,164
Gain on disposal/write-off of property, plant and equipment	7	**(114)**	—
Reversal of impairment losses on financial assets		**(638)**	(21,724)
Impairment losses on financial assets		**100**	1,554
Impairment losses on inventories	9	**1,531**	622
Impairment losses on property, plant and equipment	9	**20,195**	16,409
Share-based payment expense	38	**1,174**	—
Bank interest income	6	**(398)**	(364)
		28,826	33,661
Increase in inventories		**(2,490)**	(2,799)
Decrease in trade, bills and other receivables		**12,007**	44,058
(Increase)/decrease in utility and other deposits paid		**(2,811)**	2,026
Decrease in trade and other payables		**(7,515)**	(3,753)
Increase in contract liabilities		**1,162**	4,083
Cash generated from operations		**29,179**	77,276
Income taxes paid		**(542)**	(368)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**28,637**	76,908

	NOTES	**2021 HK$'000**	2020 HK$'000
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months		**—**	(3,000)
Purchase of financial assets at fair value through profit or loss		**(2,792)**	(5,065)
Proceeds from disposal of financial assets at fair value through profit or loss		**3,971**	6,837
Proceeds from disposal of an associate		**—**	17,735
Net cash inflow from disposal of subsidiaries	32(a)&(b)	**69,873**	13,427
Bank interest received		**357**	364
Additions of property, plant and equipment	15	**(9,914)**	(6,306)
Proceeds from disposal of property, plant and equipment		**164**	—
Withdrawal of pledged bank deposits		**—**	1,986
NET CASH GENERATED FROM INVESTING ACTIVITIES		**61,659**	25,978
FINANCING ACTIVITIES			
Interest paid		**(3,362)**	(6,088)
Redemption of convertible bonds	30	**(56,000)**	(11,000)
Repayment to ultimate holding company	41	**(12)**	—
Repayment to an intermediate holding company	41	**(58)**	—
Repayment to immediate holding company	41	**(51)**	—
Repayments of bank and other borrowings		**(3,094)**	(40,608)
New bank and other borrowings raised		**—**	31,906
Repayments of lease liabilities	41	**(41,165)**	(44,804)
NET CASH USED IN FINANCING ACTIVITIES		**(103,742)**	(70,594)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,446)**	32,292
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**115,526**	73,340
Effect of foreign exchange rate changes		**5,419**	9,894
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**107,499**	115,526
ANALYSIS OF THE BALANCES OF BANK BALANCES AND CASH			
Bank deposits with original maturity within three months and cash		**107,499**	115,526
Bank deposits with original maturity over three months		**3,040**	3,000
		110,539	118,526

Major non-cash transactions

During the year ended 31 December 2021, the bank borrowings amounting to HK$177,034,000 was settled directly by the purchaser of subsidiaries as part of the disposal consideration. Further details of the disposal are set out in Note 32(a).

1. GENERAL AND BASIS OF PREPARATION

(a) General information

Tempus Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The immediate holding company of the Company is Tempus Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the ultimate holding company of the Company is Shenzhen Pingfeng Jewellery Limited, a company established in the PRC, which holds 98% equity interests of Tempus Group Co., Ltd. since 2017. The ultimate controlling party is Mr. Zhong Baisheng, the chairman and non-executive director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Unit 3602, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 40. The Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except where otherwise indicated.

(b) Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the 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 (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, as detailed in Note 30. If the Company fails to fully comply with the Deed (as defined in Note 30) 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 any 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.

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

(b) Basis of preparation *(Continued)*

Going concern *(Continued)*

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

(i) The Group 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 of the Company 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 it's current and future obligations.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the year

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 consolidated financial statements:

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

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 (the "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 ("HKFRS 16") 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 this amendments has had no material impact on the Group's financial positions and performance for the current and prior years.

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

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 of the Company 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

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

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Other than changes in accounting policies resulting from application of amendments to 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal / partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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

For contracts that contain more than one performance obligations (sales of health and wellness products), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

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

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

(i) Sales of health and wellness products

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

(ii) Trading business

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contact are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor *(Continued)*

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature, size and industry of debtors; and
- Internal credit ratings.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Derecognition of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to ultimate holding company, amount due to an intermediate holding company, amount due to immediate holding company, bank and other borrowings and convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds that contain debt and derivative components

Convertible bonds issued by the Company that contain both debt and derivative components, including conversion option and redemption option which is not closely related to the host contract, are classified separately into respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments (Continued)

Embedded derivatives

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

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment and right-of-use assets

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

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Related parties

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Judgements

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

Debt restructuring of convertible bonds

As explained in Note 30 to the consolidated financial statements, the Company entered into the bonds restructuring 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"). Subject to the Company's due and punctual fulfilment of its obligations set out in the Deed including repayment of the Settlement Amount, the CBs holder waives any and all of its claims in respect of any liabilities and obligations under the original convertible bonds and relevant documents. As the obligations set out in the Deed has not been fulfilled, the management of the Group had concluded that the modifications are non-substantial modifications and hence the liabilities from the original convertible bonds agreements have not been accounted for as extinguishment.

Estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

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

Estimation uncertainty *(Continued)*

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

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

The Group determines the provision of impairment of a loan receivable based on ECL. The Group assesses the ECL for the loan receivable individually based on the financial position and the economic environment in which the borrower operates.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade receivables, other receivables and loan receivable are disclosed in Note 35(b)(iii).

Fair value of an unlisted equity security included in financial assets at FVTPL

In determining the fair value of an unlisted equity security included in financial assets at FVTPL is based on the summation method under adjusted net assets approach. The management of the Group estimates are based on adjusted net assets of the unlisted equity security and requires the adoption of certain assumptions such as determines the fair values of individual asset of the unlisted equity security. Changes in assumptions relating to these factors could affect the reported fair value of the unlisted equity security. As at 31 December 2021, the fair value of unlisted equity security is HK$nil (2020: HK$5,701,000).

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 December 2021 is HK$36,565,000 (2020: HK$35,606,000) after taking into account the provision for impairment losses of HK$5,827,000 (2020: HK$4,296,000).

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

Estimation uncertainty *(Continued)*

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

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

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are HK$25,839,000 and HK$52,369,000 (2020: HK$298,450,000 and HK$55,080,000) respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sales related taxes, and trading 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 and research and development of health and wellness related products
Trading business	—	Trading and distribution of consumer products

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

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

For the year ended 31 December 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	**460,530**	**152**	**460,682**
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			**(14,637)**
Loss before tax			**(73,203)**
Income tax expense			**(1,432)**
Loss for the year			**(74,635)**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2020

	Sales of health and wellness products business HK$'000	Trading business HK$'000	Total HK$'000
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	399,864	3,543	403,407
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			(38,906)
Loss before tax			(79,949)
Income tax expense			(1,439)
Loss for the year			(81,388)

The accounting policies of reportable segments are the same as the Group's significant accounting policies described in Note 3. 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2021

	Sales of health and wellness products business HK$'000	**Trading business HK$'000**	**Total HK$'000**
Amounts included in the measurement of segment profit or loss:			
Depreciation and amortisation	**48,492**	**81**	**48,573**

For the year ended 31 December 2020

	Sales of health and wellness products business HK$'000	Trading business HK$'000	Total HK$'000
Amounts included in the measurement of segment profit or loss:			
Depreciation and amortisation	51,611	239	51,850

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Revenue from major products and services

The following is the analysis of the Group's revenue from its major products and services:

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of relaxation products	**436,292**	367,395
Sales of fitness products	**16,016**	21,224
Sales of therapeutic, diagnostic and cookware products	**8,222**	11,245
Sales of consumer products	**152**	3,543
	460,682	403,407

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

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

(d) 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	2020
	HK$'000	HK$'000
Customer A	**86,996**	51,369

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(e) Geographical information

The following table sets out information about the Group's geographical analysis of revenue from external customers determined based on the location of customers.

	Revenue from external customers	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**118,071**	124,388
Macau	**19,127**	28,628
PRC	**246,109**	188,722
Malaysia	**1,154**	2,974
Singapore	**76,221**	58,695
	460,682	403,407

The following table sets out information about the Group's geographical analysis of the Group's non-current assets other than financial assets at fair value through profit or loss and deferred tax assets.

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**37,833**	309,881
Macau	**—**	50
PRC	**35,585**	43,033
Malaysia	**—**	842
Singapore	**17,303**	14,984
	90,721	368,790

(f) Segment assets and liabilities

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

6. OTHER INCOME

	2021	2020
	HK$'000	HK$'000
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 (Note)	**3,807**	10,986
Sundry income	**798**	1,524
	7,315	15,977

Note: The amount of HK$3,807,000 recognised for the year 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 Hong Kong government.

7. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
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 (Note 32(a)&(b))	**(4,145)**	—
Impairment loss on property, plant and equipment (Note 15)	**(20,195)**	(16,409)
Covid-19 related rent concessions (Note 16)	**940**	7,252
Net exchange gain/(loss)	**3**	(6,893)
Recovery of deposits written-off in prior years	**1,179**	—
Others	**348**	(152)
	(28,071)	(30,366)

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
Bank borrowings	**2,344**	5,502
Other borrowings	**1,769**	1,020
Convertible bonds (Note 30)	**7,980**	29,965
Leases	**2,544**	2,419
	14,637	38,906

9. LOSS BEFORE TAX

	2021 HK$'000	2020 HK$'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration		
– Audit service	**1,500**	1,500
– Other service	**750**	1,257
	2,250	2,757
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	**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**	—
	134,775	107,117

10. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax expense:		
Macau Complimentary Income Tax	**119**	699
Malaysian Corporate Income Tax	**—**	15
PRC Enterprise Income Tax ("EIT")	**819**	—
Singapore Corporate Income Tax	**1,394**	—
	2,332	714
(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**	—
	(692)	(528)
Deferred tax (credited)/charged (Note 20)	**(208)**	1,253
	1,432	1,439

10. INCOME TAX EXPENSE *(Continued)*

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

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

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

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.

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

	2021	2020
	HK$'000	HK$'000
Loss before tax	**(73,203)**	(79,949)
Tax at PRC EIT Tax rate of 25%	**(18,301)**	(19,987)
Tax effect of income not taxable for tax purposes	**(1,226)**	(6,910)
Tax effect of expenses not deductible for tax purposes	**15,268**	22,160
Tax effect of tax losses and other deductible temporary difference not recognised	**1,745**	493
Tax effect of different tax rates on operations in other jurisdictions	**4,638**	6,211
Over-provision of taxation in prior years	**(692)**	(528)
Income tax expense for the year	**1,432**	1,439

11. DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is as follows:

	For the year ended 31 December 2021					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Yip Chee Lai, Charlie	–	3,522	–	18	158	3,698
Mr. Zhong Yiming	–	1,625	–	18	158	1,801
Mr. Wang Xingyi	–	1,176	–	18	158	1,352
Mr. Sun Yifei	–	1,176	–	18	158	1,352
Independent non-executive directors						
Mr. Li Qi	–	192	–	–	9	201
Mr. Wong Kai Hing	–	200	–	–	9	209
Mr. Cheng Tsz Lok (Note (ii))	–	167	–	–	9	176
Non-executive director						
Mr. Zhong Baisheng	–	–	–	–	–	–
	–	8,058	–	72	659	8,789

11. DIRECTORS' EMOLUMENTS *(Continued)*

	For the year ended 31 December 2020					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments (Note (iii)) HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Yip Chee Lai, Charlie	–	2,666	–	18	–	2,684
Mr. Zhong Yiming	–	2,000	–	18	–	2,018
Mr. Wang Xingyi	–	1,344	–	18	–	1,362
Mr. Sun Yifei	–	1,344	210	18	–	1,572
Independent non-executive directors						
Mr. Han Biao (Note (i))	–	138	–	–	–	138
Mr. Li Qi	–	150	–	–	–	150
Mr. Wong Kai Hing	–	200	–	–	–	200
Mr. Cheng Tsz Lok (Note (ii))	–	–	–	–	–	–
Non-executive director						
Mr. Zhong Baisheng	–	–	–	–	–	–
	–	7,842	210	72	–	8,124

Notes:

(i) Mr. Han Biao resigned as independent non-executive director of the board of directors of the Company on 1 December 2020.

(ii) Mr. Cheng Tsz Lok was appointed as independent non-executive director of the board of directors of the Company on 28 February 2021.

(iii) For the year ended 31 December 2020, the performance related incentive payments are determined as a percentage, ranging from 3% to 8% per annum, of the collection of outstanding receivables from the disposal of investments.

11. DIRECTORS' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' and non-executive directors' emoluments shown above were for their services as directors of the Company.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2020: four) are the directors of the Group during the year, whose emoluments are included in Note 11 above. The emoluments of remaining two (2020: one) individuals during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Salary and other benefits	**4,467**	2,051
Performance related incentive payments	**2,127**	—
Retirement benefits scheme contributions	**—**	18
Share-based payments	**—**	—
Total emoluments	**6,594**	2,069

The emoluments were within the following bands:

	2021	2020
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	—
HK$3,000,001 to HK$3,500,000	**—**	—
HK$3,500,001 to HK$4,000,000	**—**	—
HK$4,000,001 to HK$4,500,000	**—**	—
HK$4,500,001 to HK$5,000,000	**1**	—

During the current and prior year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

14. 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	2020
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(74,545)**	(82,192)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**349,261**	349,261

Note: The computation of diluted loss per share for 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Total HK$'000
COST						
At 1 January 2020	303,550	18,734	3,664	50,659	16,131	392,738
Additions	–	816	–	5,463	27	6,306
Write-off	–	(7)	–	(5,679)	–	(5,686)
Exchange adjustments	–	510	160	1,391	961	3,022
At 31 December 2020 and 1 January 2021	303,550	20,053	3,824	51,834	17,119	396,380
Additions	**–**	**837**	**–**	**9,077**	**–**	**9,914**
Transfer from right-of-use assets	**–**	**–**	**733**	**–**	**–**	**733**
Disposal of subsidiaries (Note 32)	**(303,550)**	**–**	**–**	**(317)**	**–**	**(303,867)**
Disposals	**–**	**–**	**(478)**	**–**	**–**	**(478)**
Write-off	**–**	**(4,155)**	**(151)**	**(6,954)**	**–**	**(11,260)**
Exchange adjustments	**–**	**208**	**53**	**641**	**461**	**1,363**
At 31 December 2021	**–**	**16,943**	**3,981**	**54,281**	**17,580**	**92,785**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	8,570	15,277	1,846	39,473	3,109	68,275
Provided for the year	6,071	1,147	356	7,755	1,725	17,054
Eliminated on write-off	–	(7)	–	(5,679)	–	(5,686)
Impairment loss	16,409	–	–	–	–	16,409
Exchange adjustments	–	340	77	1,096	365	1,878
At 31 December 2020 and 1 January 2021	31,050	16,757	2,279	42,645	5,199	97,930
Provided for the year	**1,725**	**1,132**	**321**	**6,984**	**1,834**	**11,996**
Transfer from right-of-use assets	**–**	**–**	**733**	**–**	**–**	**733**
Eliminated on disposal of subsidiaries (Note 32)	**(52,754)**	**–**	**–**	**(317)**	**–**	**(53,071)**
Disposals	**–**	**–**	**(478)**	**–**	**–**	**(478)**
Eliminated on write-off	**–**	**(4,115)**	**(151)**	**(6,944)**	**–**	**(11,210)**
Impairment loss	**19,979**	**–**	**–**	**216**	**–**	**20,195**
Exchange adjustments	**–**	**133**	**16**	**497**	**205**	**851**
At 31 December 2021	**–**	**13,907**	**2,720**	**43,081**	**7,238**	**66,946**
CARRYING VALUES						
At 31 December 2021	**–**	**3,036**	**1,261**	**11,200**	**10,342**	**25,839**
At 31 December 2020	272,500	3,296	1,545	9,189	11,920	298,450

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

	Depreciation rate
Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Furniture, fixtures and equipment	20% — 50%
Motor vehicles	33%
Leasehold improvements	Over the shorter of the term of the lease or 3 years
Computer equipment	10%

The leasehold land represents leasehold land in Hong Kong with lease terms of 999 years.

The Group's owned leasehold land and buildings were valued on 31 December 2020 by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group, using direct comparison method. The direct comparison method reflects recent transaction prices for similar properties, adjusted unit sale rate, taking into account the location, and individual factors, such as frontage and size. As at 31 December 2020, the fair value of the Group's owned leasehold land and buildings were HK$272,500,000. The recoverable amount of certain leasehold land and buildings based on the fair value less cost of disposal, are estimated to be lower than the carrying amounts, impairment loss of approximately HK$16,409,000 are recognised for leasehold land and buildings for the year ended 31 December 2020.

During the year ended 31 December 2021, the management of the Group concluded there was indication for impairment and conducted impairment assessment on leasehold land and buildings and related leasehold improvements. The recoverable amount of leasehold land and buildings and the related leasehold improvements have been determined based on their fair value less cost of disposal. The Group estimates the fair value less cost of disposal of the relevant assets which is based on consideration of disposal of subsidiaries set out in Note 32(a). The relevant assets were impaired to their recoverable amount of HK$250,796,000 and the impairment loss of HK$20,195,000 has been recognised in profit or loss for the year ended 31 December 2021.

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
Carrying value			
At 1 January 2020	63,561	267	63,828
Additions	31,999	—	31,999
Depreciation expense	(41,584)	(231)	(41,815)
Exchange adjustments	1,068	—	1,068
At 31 December 2020 and 1 January 2021	55,044	36	55,080
Additions	**35,263**	**1,012**	**36,275**
Depreciation expense	**(39,305)**	**(297)**	**(39,602)**
Lease modification	**1,191**	**—**	**1,191**
Early termination of leases	**(688)**	**—**	**(688)**
Exchange adjustments	**113**	**—**	**113**
At 31 December 2021	**51,618**	**751**	**52,369**
For the year ended 31 December 2021			
Expense relating to short-term leases	**9,065**	**—**	**9,065**
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from leased retail shops)	**1,369**	**—**	**1,369**
Total cash outflow for leases	**51,242**	**357**	**51,599**
For the year ended 31 December 2020			
Expense relating to short-term leases	7,773	—	7,773
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from leased retail shops)	592	—	592
Total cash outflow for leases	52,942	227	53,169

For both years, the Group lease various offices, warehouses, retail stores and motor vehicles for its operations. Lease contracts are entered into fixed term of 1 month to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of difference terms and conditions.

As at 31 December 2021, the carrying value of motor vehicles includes an amount of HK$751,000 (2020: HK$36,000) in respect of assets held under hire-purchase.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group regularly entered into short-term leases for retail shops. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 12% to 23.2% (2020:10% to 23.2%) of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in retail stores in Hong Kong, PRC, Singapore and Malaysia where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors:

For the year ended 31 December 2021

	Number of stores	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Retail stores without variable lease payments	**18**	**13,257**	**—**	**13,257**
Retail stores with variable lease payments	**32**	**24,807**	**1,369**	**26,176**
	50	**38,064**	**1,369**	**39,433**

For the year ended 31 December 2020

	Number of stores	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Retail stores without variable lease payments	25	10,805	—	10,805
Retail stores with variable lease payments	43	28,060	592	28,652
	68	38,865	592	39,457

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expense are expected to continue to represent a similar proportion of store sales in future years.

Restrictions or covenants on leases

In addition, lease liabilities of HK$54,551,000 are recognised with related right-of use assets of HK$52,369,000 as at 31 December 2021 (2020: lease liabilities of HK$56,692,000 and related right-of-use assets of HK$55,080,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. RIGHT-OF-USE ASSETS *(Continued)*

Rent concessions

During the year ended 31 December 2021, lessors of retail stores provided rent concessions that occurred as a direct consequence of Covid-19 pandemic to the Group through rent reductions ranging from 20% to 100% over 1 to 5 months (2020: 6% to 100% over 1 to 11 months).

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$940,000 (2020: HK$7,252,000) were recognised.

17. INVESTMENT IN A JOINT VENTURE

	2021 **HK$'000**	2020 HK$'000
Cost of investment, unlisted	**–**	175
Share of post-acquisition losses	**–**	(175)
	–	–

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

The following set out the particulars of the joint venture of the Group as at 31 December 2021 and 2020:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2021	2020	**2021**	2020	
TBRJ Asset Management Limited ("TBRJ") (Note)	Cayman Islands	Ordinary shares	–	45%	–	33.3%	Provision of asset management and investment advisory services

Note: On 7 July 2017, Tempus (BVI) Investment Limited ("Tempus BVI"), a wholly-owned subsidiary of the Company and two other independent third parties entered into an agreement for the establishment of TBRJ, a Cayman Islands exempted company, for the purpose of acting as the general partner of TBRJ Fund I L.P. ("TBRJ Fund"), a Cayman Islands exempted limited partnership as disclosed in Note 19. Tempus BVI subscribed 22,500 ordinary shares of US$1 each of total US$22,500 to TBRJ (equivalent to approximately HK$175,000). Upon the completion of the capital contribution, the Group holds 45% equity interest in TBRJ. The Group has the right to appoint two out of six directors in the board of directors of TBRJ which is responsible for making decisions of the relevant activities of TBRJ. Decisions about the relevant activities of TBRJ require the unanimous consent of one director appointed by the Group and one director appointed by another joint venturer. In this regard, the investment in TBRJ is accounted for as a joint venture of the Group.

On 30 December 2021, the Group disposed of Tempus BVI, as detailed in Note 32(b). Upon the completion of disposal of Tempus BVI, the Group does not hold any equity interest in TBRJ.

18. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of investments, unlisted	**57,470**	57,470
Share of post-acquisition losses	**(41,153)**	(37,669)
Exchange adjustments	**(1,919)**	(2,167)
	14,398	17,634
Less: Provision for impairment (Note (d))	**(7,350)**	(7,350)
	7,048	10,284

The following set out the particulars of the associates of the Group as at 31 December 2021 and 2020:

Name of associate	Place of establishment/ operations	Class of shares held	Proportion of ownership interest 2021	Proportion of ownership interest 2020	Proportion of voting rights held 2021	Proportion of voting rights held 2020	Nature of business
煙台騰邦股權投資管理有限公司 ("Yantai Tengbang") (Note (a))	PRC	Paid-up capital	**40%**	40%	**40%**	40%	Provision of asset management and investment advisory services
煙台樂騰股權投資管理中心(有限合夥) ("Yantai Leteng LP") (Note (b))	PRC	Paid-up capital	**33.0%**	33.0%	**33.0%**	33.0%	Investment holding
廣東數程科技有限公司 ("廣東數程") (Note (c))	PRC	Paid-up capital	**12.5%**	12.5%	**12.5%**	12.5%	Provision for internet data services, information processing and storage support services and internet information technology consulting services
Tempus Sky Enterprises Limited ("Tempus Sky") (Note (d))	Hong Kong	Ordinary shares	**36.6%**	36.6%	**36.6%**	36.6%	Investment holding, provision of logistics services and general trading

18. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(a) On 25 September 2017, 深圳騰邦科技產業發展有限公司 ("Shenzhen Tempus"), an indirect wholly-owned subsidiary of the Company and other two independent third parties entered into an agreement for the establishment of Yantai Tengbang, a company established in the PRC with limited liability, for the purpose of acting as the general partner of Yantai Leteng LP. Shenzhen Tempus contributed RMB1,200,000 (equivalent to approximately HK$1,440,000) to the registered capital of Yantai Tengbang. Upon the completion of the capital contribution, the Group holds 40% equity interest in Yantai Tengbang. The shareholders exercise their voting rights in the shareholders meeting which is the highest decision-making body of Yantai Tengbang in proportion to their paid-up capital contributions. In this regard, the investment is accounted for as an associate of the Group.

(b) On 29 November 2017, Yantai Tengbang, Tempus OTO (Shenzhen) Health Industry Limited (騰邦豪特(深圳)大健康產業有限公司) ("Tempus OTO (Shenzhen)"), an indirect wholly-owned subsidiary of the Company and two other independent third parties established Yantai Leteng LP, a limited partnership established in the PRC, for the purpose of having capital appreciation by acquiring companies in the segments of healthcare, consumption upgrade, science and technology manufacturing and trading and logistics. Upon the completion of the capital contribution from all shareholders, the Group will hold 20% of equity interest in Yantai Leteng LP. As at 31 December 2021 and 2020, the Group had contributed RMB30,000,000 to Yantai Leteng LP and the contributed capital of Yantai Leteng LP amounted to RMB91,000,000, therefore the Group shared 33% of the net assets of Yantai Leteng LP. Pursuant to the shareholders' agreement, the Group has the right to appoint two out of five members in the investment committee of Yantai Leteng LP which is responsible for making decisions of relevant activities of Yantai Leteng LP. In this regard, the investment is accounted for as associate of the Group as at 31 December 2021 and 2020.

(c) On 26 April 2018, 珠海騰邦金躍投資有限公司("Tempus Jinyue"), an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with eight leading supply chain enterprises or its subsidiaries in the PRC, in relation to the formation of the associate engaging in supply chain big data business, pursuant to which, Tempus Jinyue contributed approximately RMB11,111,000 (equivalent to HK$12,652,000) to 廣東數程. As at 31 December 2018 and 2019, 廣東數程 had not yet received the capital contribution from two shareholders. The Group shared 14.3% of the net assets of 廣東數程 which was equivalent to its proportion of capital contribution. Upon the completion of the capital contribution from all shareholders, the Group will hold 11.1% of equity interest in 廣東數程. During the year ended 31 December 2020, a shareholder of 廣東數程 contributed RMB11,111,000 (equivalent to HK$12,433,000) to 廣東數程, resulting in a dilution of the Group's share of net assets of 廣東數程 from 14.3% to 12.5%. As at 31 December 2021 and 2020, the Group had contributed RMB11,111,000 to 廣東數程 and the contributed capital of 廣東數程 amounted to RMB88,889,000, therefore the Group shared 12.5% of the net assets of 廣東數程. Pursuant to shareholders' agreement, each shareholder has a right to appoint one director in the board of directors of 廣東數程 who is responsible for making decision over the relevant activities of 廣東數程. In this regard, the investment is accounted for as an associate of the Company as at 31 December 2021 and 2020.

(d) As at 31 December 2021 and 2020, the management reviewed the recoverable amount of the interest in Tempus Sky after taking into account of the financial performance and financial position of the associate and the poor business outlook of the associate in 2022 and 2021. The directors of the Company estimated that there was a significant decline in the present value of the estimated future cash inflow comprising expected dividend income from the associate and expected ultimate disposal. Based on the assessment, the recoverable amount of the Group's interest in an associate is HK$nil as at 31 December 2021 and 2020 and no reversal of impairment loss is considered necessary for the year ended 31 December 2021 and 2020, respectively.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	As at 31 December	
	2021	2020
Yantai Leteng LP	**HK$'000**	HK$'000
Gross amounts of the associate's		
Current assets	**3**	3
Non-current assets	**—**	—
Current liabilities	**(766)**	(742)
Non-current liabilities	**—**	—
Deficit	**(763)**	(739)
Revenue	**—**	—
Loss and total comprehensive loss	**(3)**	(8,717)
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	**—**	—
The Group's effective interest	**33.0%**	33.0%
The Group's share of net assets of the associate	**—**	—
The Group's share of results of the associate for the year	**—**	(2,645)

	As at 31 December	
	2021	2020
廣東數程	**HK$'000**	HK$'000
Gross amounts of the associate's		
Current assets	**56,250**	74,281
Non-current assets	**394**	118
Current liabilities	**(257)**	(2,041)
Non-current liabilities	**—**	—
Equity	**56,387**	72,358
Revenue	**1,257**	3,402
Loss and total comprehensive loss	**(18,132)**	(16,973)
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	**56,387**	72,358
The Group's effective interest	**12.5%**	12.5%
The Group's share of net assets of the associate	**7,048**	9,045
The Group's share of results of the associate for the year	**(2,202)**	(2,093)

18. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**–**	1,239
Aggregate amount of the Group's share on those associates' loss from operations	**(1,282)**	(436)
Other comprehensive income	**–**	–
Total comprehensive loss	**(1,282)**	(436)

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
The unrecognised share of loss of associates for the year	**2,286**	985
Cumulative unrecognized share of loss of associates	**4,934**	2,648

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	2021	2020
	HK$'000	HK$'000
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted equity interest in a fund — TBRJ Fund (Note (a))	**–**	–
Unlisted equity security — 重慶格洛博電子商務有限公司 ("格洛博") (Note (b))	**–**	5,701
Listed equity investments in Hong Kong (Note (c))	**–**	1,529
Listed equity investments in United States (Note (d))	**–**	191
	–	7,421
Represented by:		
Current assets	**–**	1,720
Non-current assets	**–**	5,701
	–	7,421

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

Notes:

(a) On 12 December 2017, Tempus BVI and other two independent third parties established TBRJ Fund for the purpose of having capital appreciation by acquiring, holding and disposing of securities primarily in tourism business, cross-border commercial logistics business, and consumer and healthcare business. Tempus BVI contributed US$3,580,000 (equivalent to approximately HK$27,781,000) to TBRJ Fund as a limited partner. Upon the completion of the capital contribution, the Group holds 12.43% equity interest in TBRJ Fund and has no rights to appoint any director in the investment committee of TBRJ Fund, which is responsible for making decisions of the relevant activities of the TBRJ Fund. In this regard, the investment in TBRJ Fund is accounted for as a financial asset at fair value through profit or loss of the Group.

During the year ended 31 December 2020, the investee of TBRJ Fund defaulted on the debentures as the tourism business was devastated by Covid-19. The receivers of the charged assets in relation to the debentures were appointed. For the purpose of preparing the consolidated financial statements for the year ended 31 December 2020, the Group engaged an independent valuer, Valtech Valuation Advisory Limited, to assess the fair value of the investment in TBRJ Fund. The estimated fair value of TBRJ Fund as at 31 December 2020 was estimated to be zero and full impairment was recognised for the year ended 31 December 2020.

On 30 December 2021, the Group disposed of Tempus BVI, as detailed in Note 32(b). Upon the completion of the disposal of Tempus BVI, the Group does not hold any equity interest in TBRJ Fund.

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

On 7 August 2020, the Group entered into an agreement with two independent third parties to sell its 1.7513% of the equity interest in 格洛博, for an aggregate consideration of RMB2,213,000 (approximately HK$2,476,000). On 20 August 2020, the Group entered into another agreement with an independent third party to sell its 1.10% of the equity interest in 格洛博 for a consideration of RMB1,390,000 (approximately HK$1,555,000). The Group recorded an aggregate gain of disposals of financial assets at FVTPL of RMB326,000 (approximately HK$364,000). The Group received all of the considerations during the year ended 31 December 2020.

As at 31 December 2021, the Group held 3.8% (2020: 3.8%) of equity interest in 格洛博. The fair value of 格洛博 as at 31 December 2021 was estimated to be zero and fair value loss of HK$5,774,000 was recognised for the year ended 31 December 2021.

(c) As at 31 December 2020, the fair values of the listed shares in Hong Kong were determined based on the quoted bid price available on the Stock Exchange.

(d) As at 31 December 2020, the fair values of the listed shares in United States were determined based on the quoted bid price available on the New York Stock Exchange.

20. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000
At 1 January 2020	1,253
Deferred tax charged to profit or loss (Note 10)	(1,253)
At 31 December 2020	—
Deferred tax credited to profit or loss (Note 10)	208
At 31 December 2021	**208**

As at 31 December 2021, the Group has unused tax losses of HK$88,925,000 (2020: HK$110,838,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future assessable profit streams. The tax losses amounting to HK$88,925,000 (2020: HK$83,661,000) as at 31 December 2021 may be carried forward indefinitely. The tax losses amounting to HK$nil (2020: HK$27,177,000) as at 31 December 2021 will expire within five years.

Under the Law of PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. At the end of the reporting period, the temporary difference associated with undistributed earnings of the PRC subsidiaries for which deferred tax liability has not been recognised is HK$30,401,000 (2020: HK$30,658,000). No deferred taxation has been recognised in respect of this difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

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

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

As at 31 December 2021, pledged bank time deposits with maturity date within 12 months from the end of the reporting period carry interest at rates ranging from 0.1% to 1.3% (2020: 0.2% to 1.5%) per annum. Pledged bank deposits amounting to HK$441,000 (2020: HK$1,418,000) have been pledged to secure financial guarantee for rental deposits and therefore classified as current assets. Pledged bank deposits amounting to HK$978,000 (2020: HK$nil) have been pledged to secure financial guarantee for long term rental deposits and therefore classified as non-current assets.

As at 31 December 2021, bank deposits with original maturity date over 3 months amounting to HK$3,040,000 (2020: HK$3,000,000) are include in the bank balances and cash.

22. INVENTORIES

All inventories represent finished goods held for resale.

During the year ended 31 December 2021, HK$1,531,000 (2020: HK$622,000) was recognised as an expense for written down inventories to net realisable value.

23. TRADE, BILLS AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**47,026**	56,014
Bills receivable	**1,224**	2,186
Prepayments (Note (b))	**7,778**	9,200
Other receivables, net of ECL (Note (c))	**21,199**	22,028
	77,227	89,428

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

Notes:

(a) Details of impairment assessment of trade, bills and other receivables for the year ended 31 December 2021 and 2020 are set out in Note 35(b)(iii).

(b) As at 31 December 2021, prepayments included prepayments to suppliers amounting to HK$2,219,000 (2020: HK$6,101,000).

(c) As at 31 December 2021, other receivables included amount due from a non-controlling shareholder of a subsidiary amounting to RMB9,000,000 (approximately HK$11,016,000). As at 31 December 2020, other receivables included amount due from a non-controlling shareholder of a subsidiary amounting to RMB9,000,000 (approximately HK$10,696,000) and a refundable security deposit placed to CBs holder upon the default of convertible bonds amounting to RMB8,260,000 (approximately HK$9,817,000).

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	2020
	HK$'000	HK$'000
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
	47,026	56,014

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

Before accepting any new corporate customer, the Group assesses the potential corporate customer's credit quality and defines credit limits for corporate customers. Credit limits granted to corporate customers are reviewed annually.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$4,783,000 (2020: HK$8,893,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience and substantial settlement after the end of the reporting period.

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

	2021	2020
	HK$'000	HK$'000
1–30 days	**2,420**	4,616
31–60 days	**788**	3,231
61–90 days	**479**	539
Over 90 days	**1,096**	507
	4,783	8,893

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

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

	2021	2020
	HK$'000	HK$'000
0–30 days	**—**	830
31–60 days	**—**	771
61–90 days	**—**	—
Over 90 days	**1,224**	585
	1,224	2,186

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

24. LOAN RECEIVABLE

Pursuant to an agreement dated 29 June 2017 entered into by the Group and an independent third party, the Group has provided to the independent third party a loan of HK$30,000,000 which carries interest at 10% per annum, guaranteed by the shareholder and a related party of the borrower, and with an original maturity of three months, which can be extended at a maximum of three times with 3 months each upon maturity at the discretion of the borrower. On 19 June 2018, the Group extended the loan agreement with the borrower for a year with maturity date on 18 June 2019 and carried interest at 12% per annum.

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

During the year ended 31 December 2020, the Group had issued demand letter to demand for repayment for the outstanding principal and interest and applied for objection of de-registration of the borrower to the Company Registry.

Up to the date when the consolidated financial statements are authorised for issue, the Group has dispute with the borrower regarding the outstanding principal and interest amount and the borrower or guarantors failed to repay the principal of HK$29,100,000 and outstanding interest. As a result, in the opinion of the directors of the Company, no reversal of impairment is considered necessary for the year ended 31 December 2021.

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

	2021 HK$'000	2020 HK$'000
Amount due from:		
An associate		
Tempus Sky	**4,160**	4,798
Less: Provision for ECL	**(4,160)**	(4,798)
	—	—
Amount due to:		
Ultimate holding company	**39**	51
An intermediate holding company	**73**	131
Immediate holding company	**549**	600

Details of impairment assessment of amount due from an associate as at 31 December 2021 and 2020 are set out in Note 35(b)(iii).

As at 31 December 2021 and 2020, the amounts due from/to ultimate holding company, an intermediate holding company, immediate holding company and an associate are unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**39,329**	47,056
Accruals	**19,328**	19,455
Others	**17,123**	16,721
	75,780	83,232

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

	2021 HK$'000	2020 HK$'000
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
	39,329	47,056

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

27. CONTRACT LIABILITIES

	2021	2020
	HK$'000	HK$'000
Sales of health and wellness products	**17,321**	16,105

Movement of contract liabilities

	2021	2020
	HK$'000	HK$'000
At 1 January	**16,105**	11,628
Currency realignment	**54**	394
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(14,939)**	(10,393)
Increase in contract liabilities as a result of receiving deposit for trading of goods	**16,101**	14,476
At 31 December	**17,321**	16,105

28. LEASE LIABILITIES

	2021	2020
	HK$'000	HK$'000
Lease liabilities payable:		
Within one year	**32,075**	33,241
Within a period of more than one year but not more than two years	**16,341**	17,584
Within a period of more than two years but not more than five years	**6,135**	5,867
	54,551	56,692
Less: Amounts due for settlement within 12 months shown under current liabilities	**(32,075)**	(33,241)
Amounts due for settlement after 12 months shown under non-current liabilities	**22,476**	23,451

The weighted average incremental borrowing rates applied to lease liabilities range from 2.4% to 4.5% for the year ended 31 December 2021 (2020: 3.7% to 5.9%).

29. BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured bank loans	–	180,128
Other borrowings	**16,526**	16,526
	16,526	196,654
Carrying amount of the above borrowings that are repayable:		
On demand and within one year	–	111,500
Within one year	**16,526**	16,526
	16,526	128,026
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	–	48,684
	–	68,628
	16,526	196,654
Less: Amounts due within one year shown under current liabilities	**(16,526)**	(196,654)
Amounts shown under non-current liabilities	–	–

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), as disclosed in Note 30, 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.

29. BANK AND OTHER BORROWINGS *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Fixed rate:		
— 8%	**—**	16,526
— 11%	**16,526**	—
Variable rates:		
— 1.3% to 1.8% over 1 month Hong Kong Interbank Offered Rate ("HIBOR")	**—**	180,128
	16,526	196,654

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

	2021	2020
Fixed rate borrowings	**11%**	8%
Variable rate borrowings	**—**	2.28% — 2.72%

30. 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 of directors of the Company considers that it has technically triggered an EOD under the Conditions.

Further, the Group and its guarantor failed to fully settle the 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.

30. CONVERTIBLE BONDS *(Continued)*

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. According to the demand letter, the Company had 3 weeks after serving of 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.

30. CONVERTIBLE BONDS *(Continued)*

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

30. CONVERTIBLE BONDS *(Continued)*

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 ("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 obligation 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 HK$'000	Debt Component HK$'000	Total HK$'000
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**

30. CONVERTIBLE BONDS *(Continued)*

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

	2021	2020
	HK$'000	HK$'000
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

31. SHARE CAPITAL

	Number of shares	**Share capital**
		US$
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	2020
	HK$'000	HK$'000
Presented as	**27,231**	27,231

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of entire equity interest in KK VII (BVI) Limited and KK VIII Limited

On 30 June 2021, Tempus (BVI) Properties Investment Limited ("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, pursuant to which Vendor has conditionally agreed to sell and Purchaser A has conditionally agreed to purchase the entire issued share capital of KK VII (BVI) Limited and KK VIII (BVI) Limited (the "Target Companies"), and all such sum of money due and owing by the Target Companies to the Vendor as at completion of the transaction, for a cash consideration of HK$250,254,000. The Target Company is engaged in the business of property investment. The deposit of HK$25,000,000 was paid by Purchaser A prior to the signing of the conditional sale and purchase agreement. A further deposit of HK$20,000,000 was paid by the Purchaser A on 16 July 2021; and the remaining balance of the consideration, being HK$28,220,000 and HK$177,034,000, was paid by Purchaser A to the Group and to the banks for settlement of the bank borrowings of the Group respectively at completion date. The disposal was completed on 29 October 2021.

As at the date of disposal, the collective carrying amount of net assets disposed of amounted to HK$251,052,000, mainly representing property, plant and equipment of HK$250,796,000, other receivables of HK$94,000, utility and other deposit paid of HK$212,000 and other payables of HK$50,000. The net loss on disposal of the Target Companies was HK$4,100,000 (Note 7). The net cash inflow arising on disposal of the Target Companies was HK$69,918,000.

(b) Disposal of Tempus BVI

On 30 December 2021, the Company and a fellow subsidiary of the Group ("Purchaser B") entered into a sale and purchase agreement, pursuant to which the Company agreed to sell and Purchaser B agreed to purchase the entire issue share capital of Tempus BVI for a cash consideration of HK$150,000. The principal activity of Tempus BVI is investment holding. The disposal was completed on 30 December 2021 and all consideration had been received on the same date.

As at the date of disposal, the collective carrying amount of net assets disposed of amounted to HK$nil, mainly representing investment in TBRJ and TBRJ Fund with a carrying amount of HK$nil and HK$nil, respectively. The net loss on disposal of Tempus BVI was HK$45,000 (Note 7). The net cash outflow arising on disposal of Tempus BVI was HK$45,000.

33. 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	2020
	HK$'000	HK$'000
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	**1,419**	1,418
	1,419	274,312

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).

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debts, which includes bank and other borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
At amortised cost	**202,346**	218,897
FVTPL	**—**	7,421
Financial liabilities		
At amortised cost	**213,932**	447,067
FVTPL	**20,484**	—
Lease liabilities	**54,551**	56,692

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's foreign currency monetary assets are mainly trade, bills and other receivables and bank balances and cash, and the Group's foreign currency monetary liabilities are mainly trade payables.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk (Continued)

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**3,541**	4,999	**7,558**	6,939
HK$*	**17,604**	25,089	**—**	—
Renminbi ("RMB")	**5,358**	15,161	**—**	—

* Included in this balance were foreign currency denominated monetary assets amounting to HK$17,604,000 (2020: HK$25,089,000) of a group entity with functional currency of MOP.

Sensitivity analysis

As US$ and MOP (functional currency of a group entity) are pegged to HK$, the sensitivity analysis does not include US$ denominated assets and liabilities held by entity with HK$ as its functional currency and HK$ denominated assets held by entity with MOP as its functional currency, as it is expected that there would be no material currency risk exposure.

The Group is mainly exposed to the currency risk of RMB against HK$.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 10% (2020: 10%) increase or decrease in HK$ against RMB 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2020: 10%) change in foreign currency rates. The following table indicates the impact to the loss after tax where HK$ strengthens 10% (2020: 10%) against the respective foreign currencies. For a 10% (2020: 10%) weakening of HK$ against the foreign currency, there would be an equal and opposite impact on the loss after tax.

	Increase/ (decrease) in RMB rate %	(Increase)/ decrease in loss for the year HK$'000
2021		
If HK$ weakens against RMB	**10**	**402**
If HK$ strengthens against RMB	**(10)**	**(402)**
2020		
If HK$ weakens against RMB	10	1,137
If HK$ strengthens against RMB	(10)	(1,137)

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (Note 21), interest-free amount due from an associate (Note 25), interest-free amount due to ultimate holding company (Note 25), interest-free amount due to an intermediate holding company (Note 25), interest-free amount due to immediate holding company (Note 25), fixed-rate lease liabilities (Note 28), fixed rate other borrowings (Note 29) and convertible bonds (Note 30). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is insignificant.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (Note 21) and variable-rate bank borrowings (Note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, the Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings.

Sensitivity analysis

In the opinion of the directors of the Company, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact on the Group's results for the year is not significant as the interest rates are low and did not fluctuate significantly during the year.

The sensitivity analysis below has been determined based on the exposure to interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2020: 50 basis points) higher or lower and all other variables were held constant, the potential effect on the Group's loss after tax for the year ended 31 December 2021 would decrease or increase by approximately HK$nil (2020: decrease or increase by approximately HK$752,000).

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables, loan receivable, amount due from an associate, pledged bank deposits, and bank balances.

The Group has concentration of credit risk as 53% (2020: 45%) of the total trade receivables representing amounts due from the Group's largest five trade debtors including department stores and wholesale customers. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The directors of the Company are of the opinion that the credit risk of trade receivables from sales of health and wellness products business is low based on the sound collection history of the receivables due from them and the economic environment the debtors operate. Therefore the ECL rate of the trade receivables from sales of health and wellness products business is assessed to be closed to zero and no provision was made as at 31 December 2021 and 2020.

The credit risk on bill receivables is limited because the majority of the counterparties are banks with good reputation.

As at 31 December 2020, the Group has concentration risk as 44% of total other receivables (net amount) representing the security deposit placed to CBs holder (Note 23(c). As at 31 December 2021, the directors of the Company are of the opinion that the Group was not exposed to concentration risk on other receivables. Allowance for impairment amounting to HK$100,000 was made for other receivables based on the counterparties' financial background and creditability during the year ended 31 December 2021 (2020: reversal of impairment of HK$19,668,000, net).

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk (Continued)

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

	Not credit impaired HK$'000	Credit impaired HK$'000
At 1 January 2020	5,216	24,829
Reversal of impairment losses	(5,237)	(15,985)
Impairment loss	—	1,554
Written-off	—	(5,456)
Currency realignment	21	393
At 31 December 2020 and 1 January 2021	**—**	**5,335**
Impairment Losses	**—**	**100**
Disposal/deregistration of subsidiaries	**—**	**(519)**
Currency realignment	**—**	**149**
At 31 December 2021	**—**	**5,065**

As at 31 December 2021 and 2020, the Group has concentration of credit risk on loan receivable from one counterparty. As part of the Group's credit risk management, the Group assessed the ECL for each of the loan receivable individually. As at 31 December 2021 and 2020, in the opinion of the directors of the Company, no reversal of impairment is considered necessary based on the financial position of the guarantors and the borrower and the economic environment the guarantors and the borrower operate.

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

	Credit impaired HK$'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	29,100

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk (Continued)

During the year ended 31 December 2021, reversal of impairment losses amounting to HK$638,000 (2020: HK$502,000) was recognised for the amount due from an associate upon the receipt of settlement.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

(iv) Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Liquidity risk (Continued)

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities and lease liabilities is prepared based on the scheduled repayment dates:

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2021						
Financial liabilities at amortised cost						
Trade and other payables	–	75,780	–	–	75,780	75,780
Amount due to ultimate holding company	–	39	–	–	39	39
Amount due to an intermediate holding company	–	73	–	–	73	73
Amount due to immediate holding company	–	549	–	–	549	549
Bank and other borrowings	11%	–	17,771	–	17,771	16,526
Convertible bonds	–	–	–	120,965	120,965	120,965
Lease liabilities	3.9%	7,027	26,654	23,108	56,789	54,551
		83,468	44,425	144,073	271,966	268,483

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2020						
Financial liabilities at amortised cost						
Trade and other payables	–	60,162	–	–	60,162	60,162
Amount due to ultimate holding company	–	51	–	–	51	51
Amount due to an intermediate holding company	–	131	–	–	131	131
Amount due to immediate holding company	–	600	–	–	600	600
Bank and other borrowings	2.9%	204,437	–	–	204,437	196,654
Convertible bonds (Note)	18.0%	189,469	–	–	189,469	189,469
Lease liabilities	4.5%	9,325	25,627	24,138	59,090	56,692
		464,175	25,627	24,138	513,940	503,759

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

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Liquidity risk (Continued)

As at 31 December 2020, bank borrowings with a repayment on demand clause were included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank borrowings amounted to HK$68,628,000. Taking into account the Group's financial position, the directors of the Company considered that it is unlikely that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings would be repaid by monthly instalments in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis — Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1-2 years HK$'000	Between 3-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2021	**–**	**–**	**–**	**–**	**–**	**–**
31 December 2020	4,794	4,794	14,382	52,441	76,411	68,628

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Equity Price Risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at FVTPL (Note 19).

The Group has concentration of equity price risk on its unlisted equity investments at FVTPL as 100% (2020:100%) of its equity interests held by the Group are issued by one (2020: two) issuer. The management of the Group considers that the equity price risk on the equity instruments at FVTPL in equity interests held is limited as the directors of the Company took into consideration of the discounted cash flow calculation of the investments and considered that they could recover fully the carrying value of the investments.

The Group's listed equity investments classified as financial assets at FVTPL are listed on the Stock Exchange and New York Stock Exchange and are valued at quoted market prices as at 31 December 2020.

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts as at 31 December 2020.

	Carrying amount of financial investments HK$'000	Increase/ (decrease) in price %	Decrease/ (increase) in loss after tax and accumulated losses HK$'000	Increase/ (decrease) in other components of equity HK$'000
As at 31 December 2020				
Listed equity securities				
Held-for-trading	1,720	41.95%/	722/	—/
		(41.95%)	(722)	—

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the directors of the Company work closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the directors of the Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

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

During the year ended 31 December 2021, the management of the Group changed the valuation techniques for unlisted equity security included in financial assets at FVTPL. The management of the Group assessed that the change in valuation technique better reflects the fair value measurement of the unlisted equity security included in financial assets at FVTPL.

Financial assets and financial liabilities measured at fair value

	Fair value HK'000	Level 1 HK'000	Level 3 HK'000
As at 31 December 2021			
Financial assets at FVTPL			
— unlisted equity investment	**—**	**—**	**—**
Financial liabilities at FVTPL			
— convertible bonds	**20,484**	**20,484**	**—**
As at 31 December 2020			
Financial assets at FVTPL			
— listed equity investment	1,720	1,720	—
— unlisted equity investment	5,701	—	5,701

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements *(Continued)*

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

	Fair value as at 2021 HK$'000	2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL (Listed equity investments) (Note (i))	**N/A**	1,720	Level 1	N/A (2020: Quoted bid prices in an active market)	N/A
Financial assets at FVTPL (Unlisted equity security)	**–**	5,701	Level 3	Adjusted net assets approach (2020: Income approach) The summation method was used to value the assets and liabilities of this investee. (2020: The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee.)	Fair value of assets and liabilities of this investee (2020: Long-term revenue terminal growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, with 3 percent. Long-term pre-tax operating margin, taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 2 to 12 percent. Weighted average cost of capital, 19 percent.)
Financial assets at FVTPL (Unlisted equity interest in a fund) (Note (ii))	**N/A**	–	Level 3	N/A (2020: Adjusted net assets approach The summation method was used to value the assets and liabilities of the fund.)	N/A (2020: Fair value of assets and liabilities of the fund.)
Convertible bonds	**20,484**	–	Level 1	Quoted bid prices in an active market	N/A

Note:

Note (i) The listed equity investments were disposed of during the year ended 31 December 2021.

Note (ii) The unlisted equity interest in a fund was disposed of during the year ended 31 December 2021.

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements *(Continued)*

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

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

	Financial liabilities at FVTPL HK$'000	Financial assets at FVTPL HK$'000
At 1 January 2020	—	22,972
Disposals (Note 19(b))	—	(4,031)
Fair value change recognised in profit or loss	—	(13,623)
Exchange adjustments	—	383
At 31 December 2020	—	5,701
Additions	**20,484**	**—**
Fair value change recognised in profit or loss	**—**	**(5,774)**
Exchange adjustments	**—**	**73**
At 31 December 2021	**20,484**	**—**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in Notes 11 and 25, during the year the Group had entered into transactions with related parties.

Related parties	Nature of transaction	**2021** **HK'000**	2020 HK'000
An associate	Logistic service expenses	**2,128**	1,677
A fellow subsidiary	Disposal of a subsidiary	**150**	—
A fellow subsidiary	IT service fee	**556**	—

The balances of amounts due from/to an associate/ultimate holding company/an intermediate holding company/immediate holding company are disclosed in the consolidated statement of financial position and in Note 25.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in Note 11.

37. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute MOP60 per month for each employee to the retirement benefit plan to fund the benefits.

The employees in the PRC are members of the state-managed retirement benefit scheme operated by PRC government. The subsidiaries established in the PRC are required to contribute a certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The employees in Malaysia are members of Employees Provident Fund, a Malaysian government agency under the Ministry of Finance. The subsidiary established in Malaysia is required to contribute certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

37. RETIREMENT BENEFIT SCHEME *(Continued)*

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.

As at 31 December 2021 and 2020, the Group had no other significant obligation apart from the contribution as stated above.

During the year ended 31 December 2021 and 2020, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the retirement benefit schemes which may be used by the Group to reduce the contribution payable in the future years. Accordingly, no forfeited contribution was utilised during the year, and as at 31 December 2021, there was no forfeited contribution available to reduce the Group's existing level of contributions to the retirement benefit schemes (2020: nil).

38. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution in writing passed by all the shareholders of the Company on 25 November 2011 for the primary purpose of recognising and acknowledging the contribution of the eligible participants had or may have made to the Group. Under the Scheme, the board of directors of the Company may grant options to eligible participants, including employees, directors of the Company and its subsidiaries and consultants, to subscribe for shares of the Company. The Scheme was expired on 25 November 2021.

On 26 January 2017, the Company granted 23,420,000 share options, comprised (i) 8,800,000 share options to the directors of the Company and (ii) 14,620,000 share options to certain eligible participants including members of the senior management and employees of the Company, to subscribe for the ordinary shares of the Company at HK$1.84 per share.

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

On 23 November 2021, the Company granted 29,688,000 share options, comprised approximately (i) 14,568,000 share options to the directors of the Company and (ii) 15,120,000 share options to the certain eligible participants including members of the senior management, employees and consultants of the Company to subscribe for shares in the Company at HK$0.238 per share.

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

As at 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 39,588,000 (2020: 19,600,000), representing approximately 11.33% (2020: 5.61%) of the shares of the Company in issue at that date.

38. SHARE-BASED PAYMENTS *(Continued)*

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange. At the annual general meeting of the Company held on 24 May 2019 (the "2019 AGM"), the shareholders of the Company passed an ordinary resolution to refresh the scheme mandate limit of the Scheme to 10% of the shares in issue as at the date of the 2019 AGM. Therefore, the maximum number of shares which may be issued upon exercise of all share options that may be granted under the refreshed scheme mandate limit is 34,926,080 shares. Share options previously granted under the Scheme will not be counted for the purpose of calculating the scheme mandate limit. For details, please refer to the Company's circular dated 24 April 2019 and the Company's announcement dated 24 May 2019.

The Company has adopted a new share option scheme (the "New Scheme") pursuant to a resolution pass by the shareholders of the Company on 31 January 2022 for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the New Scheme, the board of directors of the Company may grant options to eligible participants, including employees, directors of the Company and its subsidiaries and consultants, to subscribe for shares of the Company. Unless otherwise approved by the shareholders in general meeting, the number of shares that may be granted to an eligible participant under the New Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive directors. Unless otherwise approved by the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, any grant of options to a substantial shareholder or independent non-executive director or their respective associates under the New Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not represent in aggregate over 0.1% of the shares in issue within any 12-month period. For details, please refer to the Company's circular dated 13 January 2022.

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

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per eligible participant. Options may be exercised at any time during the exercise period as disclosed below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

38. SHARE-BASED PAYMENTS *(Continued)*

Details of the share options are as follows:

Date of Grant	Number of share options granted	Exercisable period	Exercise Price
26 January 2017	2,342,000 (Note a)	26.1.2017 to 25.1.2021	HK$1.84 per share
	7,026,000 (Note b)	26.1.2018 to 25.1.2021	
	7,026,000 (Note b)	26.1.2019 to 25.1.2021	
	7,026,000 (Note b)	26.1.2020 to 25.1.2021	
	23,420,000		
16 April 2018	3,498,600 (Note a)	16.4.2018 to 15.4.2022	HK$2.13 per share
	10,495,800 (Note b)	16.4.2019 to 15.4.2022	
	10,495,800 (Note b)	16.4.2020 to 15.4.2022	
	10,495,800 (Note b)	16.4.2021 to 15.4.2022	
	34,986,000		
23 November 2021	7,422,000 (Note a)	23.11.2021 to 22.11.2026	HK$0.238 per share
	7,422,000 (Note c)	1.4.2022 to 22.11.2026	
	7,422,000 (Note c)	1.4.2023 to 22.11.2026	
	7,422,000 (Note c)	1.4.2024 to 22.11.2026	
	29,688,000		

Notes:

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

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

(c) The options are vested upon the fulfilment of individual performance targets for certain periods.

38. SHARE-BASED PAYMENTS *(Continued)*

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

Date of grant	Exercise price	Outstanding at 1 January 2020	Lapsed during the year	Outstanding at 31 December 2020 and 1 January 2021	Granted during the year	Lapsed during the year	Expired during the year	Outstanding at 31 December 2021
26 January 2017	HK$1.84	12,400,000	(3,700,000)	8,700,000	**–**	**–**	**(8,700,000)**	**–**
16 April 2018	HK$2.13	16,999,000	(6,099,000)	10,900,000	**–**	**(1,000,000)**	**–**	**9,900,000**
23 November 2021	HK$0.238	–	–	–	**29,688,000**	**–**	**–**	**29,688,000**
		29,399,000	(9,799,000)	19,600,000	**29,688,000**	**(1,000,000)**	**(8,700,000)**	**39,588,000**
Exercisable at the end of the year		2,399,900	–	1,960,000	**–**	**–**	**–**	**8,412,000**
Weighted average exercise price		HK$2.01	HK$2.02	HK$2.00	**HK$0.238**	**HK$2.13**	**HK$1.84**	**HK$0.71**

The fair value of the share options of total HK$3,381,000 (2020: HK$nil) granted during the year ended 31 December 2021 are calculated using the Binomial model. The inputs into the model were as follows:

	2021
Share price on the date of grant	HK$0.238
Exercise price	HK$0.238
Expected volatility	83.11%
Contractual life	5 years
Risk-free rate	1.22%
Expected dividend yield	0%

Expected volatility was determined by using the historical price volatilities of Company's share price as at the date of valuation as extracted from Bloomberg.

The Group had recognised a charge of HK$933,000 and HK$241,000 (2020: HK$nil and HK$nil) in the staff costs for directors and employees and administrative expenses for consultants, respectively, for the year ended 31 December 2021 in relation to share options granted by the Company.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**2,129**	2,522
Interests in subsidiaries	**213,960**	323,257
	216,089	325,779
Current assets		
Prepayments and other receivables	**418**	10,203
Amounts due from subsidiaries	**82,589**	126,925
Financial assets at fair value through profit or loss	**—**	589
Bank balances and cash	**7,822**	9,046
	90,829	146,763
Current liabilities		
Other payables and accrued expenses	**3,618**	5,127
Amount due to immediate holding company	**549**	600
Amounts due to subsidiaries	**126,559**	109,678
Bank and other borrowings	**16,526**	196,654
Convertible bonds	**20,484**	189,469
	167,736	501,528
Net current liabilities	**(76,907)**	(354,765)
Non-current liability		
Convertible bonds	**120,965**	—
Net assets/(liabilities)	**18,217**	(28,986)
Capital and reserves		
Share capital	**27,231**	27,231
Deficit	**(9,014)**	(56,217)
Total equity/(deficit)	**18,217**	(28,986)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement of reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	359,575	32	2,546	(295,093)	67,060
Loss for the year	–	–	–	(123,277)	(123,277)
Transfer upon forfeiture of share options	–	–	(1,134)	1,134	–
At 31 December 2020 and 1 January 2021	359,575	32	1,412	(417,236)	(56,217)
Loss for the year	**–**	**–**	**–**	**46,029**	**46,029**
Recognition of equity-settled share-based payments	**–**	**–**	**1,174**	**–**	**1,174**
Transfer upon forfeiture of share options	**–**	**–**	**(1,147)**	**1,147**	**–**
At 31 December 2021	**359,575**	**32**	**1,439**	**(370,060)**	**(9,014)**

40. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company Directly 2021	Directly 2020	Indirectly 2021	Indirectly 2020	Principal activities
OTO (BVI)	British Virgin Islands 7 January 2011	US$16,252	**100%**	100%	**–**	–	Investment holding
OTO (HK) Investment Limited	Hong Kong 17 February 2011	HK$1	**–**	–	**100%**	100%	Investment holding
OTO Bodycare (H.K.) Limited	Hong Kong 14 November 1986	HK$1,000,000	**–**	–	**100%**	100%	Sales of health and wellness products in Hong Kong
OTO International (Macau) Company Limited	Macau 13 September 2005	MOP30,000	**–**	–	**100%**	100%	Sales of health and wellness products in Macau
Dainty Shanghai Co., Ltd.	PRC (Note (a)) 25 March 2010	Registered and paid up capital US$5,150,000	**–**	–	**100%**	100%	Sales of health and wellness products in PRC

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company Directly 2021	Directly 2020	Indirectly 2021	Indirectly 2020	Principal activities
OTO Wellness Sdn. Bhd.	Malaysia 17 July 2013	MYR1,000,000	**–**	–	**100%**	100%	Sales of health and wellness products in Malaysia
OTO Wellness Pte. Ltd.	Singapore 1 October 2014	SGD10,000	**–**	–	**100%**	100%	Sales of health and wellness products in Singapore
Tempus OTO Limited	Hong Kong 29 January 2015	HK$10,000	**–**	–	**100%**	100%	Inactive
Tempus OTO (Shenzhen)	PRC (Note (a)) 10 April 2015	Registered and paid-up capital RMB5,500,000	**–**	–	**100%**	100%	Sales of health and wellness products in PRC
Tempus Cross-border Commercial Service Limited	Hong Kong 12 August 2015	HK$10,000	**100%**	100%	**–**	–	Inactive
Tempus BVI (Note (c))	British Virgin Islands 14 June 2016	US$50,000	**–**	100%	**–**	–	Inactive
Tempus (BVI) Properties Investment Limited	British Virgin Islands 6 October 2016	US$50,000	**100%**	100%	**–**	–	Investment holding
KK VII (BVI) Limited (Note (b))	British Virgin Islands 21 October 2015	US$100	**–**	–	**–**	100%	Property investment
KK VIII (BVI) Limited (Note (b))	British Virgin Islands 21 October 2015	US$100	**–**	–	**–**	100%	Property investment
Tempus Star (HK) Investment Limited	Hong Kong 9 June 2017	HK$1	**–**	–	**100%**	100%	Investment holding
Shenzhen Tempus	PRC (Note (d)) 24 November 2016	Registered and paid-up capital RMB120,000,000	**–**	–	**100%**	100%	Investment holding
深圳騰邦豪特商貿有限公司	PRC (Note (d)) 24 November 2016	Registered capital RMB50,000,000	**–**	–	**100%**	100%	Trading and distribution of consumer products
Tempus Jinyue	PRC (Note (a)) 17 November 2017	Registered capital USD30,000,000 Paid-up capital USD17,500,000	**–**	–	**100%**	100%	Investment holding

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2021	2020	**2021**	2020	
Shenzhen Tempus Value Chain Co., Ltd* (深圳市騰邦價值鏈股份有限公司) ("SZ Tempus Value Chain")	PRC (Note (a)) 11 July 2005	Registered and paid-up capital RMB52,631,579	**78.75%**	78.75%	**–**	–	Trading and distribution of consumer products and investment holding
上海騰邦供應鏈有限公司 (Note (e))	PRC (Note (d)) 3 December 2012	Registered and paid-up capital RMB10,000,000	**–**	–	**–**	78.75%	Trading and distribution of consumer products and supply chain services
天津騰邦易貿通外貿服務有限公司	PRC (Note (d)) 13 March 2018	Registered and paid-up capital RMB50,000,000	**–**	–	**80%**	80%	International trading agent

Notes:

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

(b) The subsidiary had been disposed of on 29 October 2021.

(c) The subsidiary had been disposed of on 30 December 2021.

(d) These subsidiaries are limited companies in the PRC.

(e) The subsidiary has been dissolved during the year.

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of a non-wholly owned subsidiary that has material non-controlling interest

The table below shows details of a non-wholly owned subsidiary of the Company that has material non-controlling interest:

Name of subsidiary	Place of establishment	Proportion of ownership and voting rights held by non-controlling interest		(Loss)/profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
SZ Tempus Value Chain	PRC	**21.25%**	21.25%	**(3)**	1,057	**16,110**	15,634

Summarised financial information in respect of SZ Tempus Value Chain that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Current assets	**76,008**	73,707
Non-current assets	**—**	55
Current liabilities	**(196)**	(190)
Non-current liabilities	**—**	—
	75,812	73,572
Equity attributable to owners of the Company	**59,702**	57,938
Non-controlling interest	**16,110**	15,634
	75,812	73,572
Revenue	**—**	1,108
(Expenses)/income	**(16)**	3,866
(Loss)/profit for the year	**(16)**	4,974
(Loss)/profit attributable to owners of the Company	**(13)**	3,917
(Loss)/profit attributable to non-controlling interest	**(3)**	1,057
(Loss)/profit for the year	**(16)**	4,974
Other comprehensive income attributable to owners of the Company	**1,777**	3,593
Other comprehensive income a ttributable to non-controlling interests	**479**	969
Other comprehensive income for the year	**2,256**	4,562
Total comprehensive income attributable to owners of the Company	**1,764**	7,510
Total comprehensive income attributable to non-controlling interest	**476**	2,026
Total comprehensive income for the year	**2,240**	9,536
Net cash inflow from operating activities	**2,106**	28,671
Net cash outflow from investing activities	**(5,406)**	(36,977)
Net cash inflow from financing activities	**—**	77
Net cash outflow	**(3,300)**	(8,229)

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash from financing activities.

	Lease liabilities HK$'000	Bank and other borrowings HK$'000	Convertible bonds HK$'000	Amount due to ultimate holding company HK$'000	Amount due to an intermediate holding company HK$'000	Amount due to immediate holding company HK$'000	Total HK$'000
At 1 January 2020	66,319	205,356	170,504	–	–	600	442,779
Financing cash flows	(44,804)	(14,790)	(11,000)	–	–	–	(70,594)
Non-cash changes							
Finance cost recognised	2,419	6,522	29,965	–	–	–	38,906
New leases entered	31,668	–	–	–	–	–	31,668
Interest payables included in other payables	–	(434)	–	–	–	–	(434)
Reclassify from other payables	–	–	–	51	131	–	182
Exchange adjustments	1,090	–	–	–	–	–	1,090
At 31 December 2020 and 1 January 2021	56,692	196,654	189,469	51	131	600	443,597
Financing cash flows	**(41,165)**	**(6,456)**	**(56,000)**	**(12)**	**(58)**	**(51)**	**(103,742)**
Non-cash changes							
Finance cost recognised	**2,544**	**4,113**	**7,980**	**–**	**–**	**–**	**14,637**
New leases entered	**35,890**	**–**	**–**	**–**	**–**	**–**	**35,890**
Reassessment of lease	**492**	**–**	**–**	**–**	**–**	**–**	**492**
Interest payables included in other payables	**–**	**(751)**	**–**	**–**	**–**	**–**	**(751)**
Settled by consideration of disposal of a subsidiary (Note 32(a))	**–**	**(177,034)**	**–**	**–**	**–**	**–**	**(177,034)**
Exchange adjustments	**98**	**–**	**–**	**–**	**–**	**–**	**98**
At 31 December 2021	**54,551**	**16,526**	**141,449**	**39**	**73**	**549**	**213,187**

42. 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 markets is one of the primarily market of the Group. Due to the 5th Wave COVID-19 outbreak, various governmental control measures have been implemented in the Hong Kong in combating the 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 to be ascertained.

42. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Share subscription completed on 4 February 2022

On 28 December 2021, as disclosed in Note 30, 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 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 report.

The Company confirms that up to the date of this report, 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.

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit for the year attributable to:					
Owners of the Company	**(74,545)**	(82,192)	(262,469)	(33,922)	24,142
Non-controlling interests	**(90)**	804	(19,881)	3,028	7,358
	(74,635)	(81,388)	(282,350)	(30,894)	31,500

ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**332,153**	634,975	704,192	1,123,558	1,048,855
TOTAL LIABILITIES	**308,341**	543,926	543,778	673,296	566,013
TOTAL EQUITY	**23,812**	91,049	160,414	450,262	482,842