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# TEMPUS

## 騰邦控股

### TEMPUS HOLDINGS LIMITED

### 騰邦控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 06880)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

### PERFORMANCE HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 was approximately HK\$192.1 million, representing a decrease of approximately 20.5% as compared with revenue of approximately HK\$241.5 million for the six months ended 30 June 2021.
- Gross profit for the six months ended 30 June 2022 was approximately HK\$93.0 million, representing a decrease of approximately 26.9% as compared with gross profit of approximately HK\$127.3 million for the six months ended 30 June 2021.
- Loss for the six months ended 30 June 2022 was approximately HK\$27.7 million, while the loss for the six months ended 30 June 2021 was approximately HK\$60.3 million.
- No interim dividend is declared for the six months ended 30 June 2022.

### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tempus Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the unaudited comparative figures for the six months ended 30 June 2021. The interim results for the Period are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<i>Notes</i>	Unaudited for the six months ended	
		30 June 2022 <i>HK\$'000</i>	30 June 2021 <i>HK\$'000</i>
Revenue	3	192,084	241,528
Cost of sales		(99,076)	(114,274)
Gross profit		93,008	127,254
Other income	4	2,699	2,545
Other gains and losses, net	5	(63)	(28,499)
Impairment losses on financial assets		–	(89)
Reversal of impairment losses on financial assets		425	–
Share of results of associates		(19)	(2,658)
Selling and distribution expenses		(89,088)	(104,654)
Administrative expenses		(32,550)	(34,299)
Finance costs	6	(2,089)	(19,469)
Loss before tax	7	(27,677)	(59,869)
Income tax expense	8	–	(476)
Loss for the period		(27,677)	(60,345)
Other comprehensive (loss)/income for the period			
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>			
Exchange difference arising on translation of foreign operations		(5,009)	2,299
Total comprehensive loss for the period		(32,686)	(58,046)

		<b>Unaudited for the six months ended</b>	
		<b>30 June 2022</b>	30 June 2021
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Loss for the period attributable to:			
Owners of the Company		<b>(27,519)</b>	(60,009)
Non-controlling interests		<b>(158)</b>	(336)
		<u><b>(27,677)</b></u>	<u>(60,345)</u>
 Total comprehensive loss for the period attributable to:			
Owners of the Company		<b>(31,214)</b>	(57,935)
Non-controlling interests		<b>(1,472)</b>	(111)
		<u><b>(32,686)</b></u>	<u>(58,046)</u>
 Loss per share			
Basic and diluted (HK cents)	<i>10</i>	<u><b>(6.55)</b></u>	<u>(17.18)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	21,797	25,839
Right-of-use assets	<i>11</i>	36,193	52,369
Investments in associates		6,724	7,048
Deferred tax assets		203	208
Utility and other deposits paid		3,123	4,487
Pledged bank deposits		–	978
		68,040	90,929
		68,040	90,929
<b>Current assets</b>			
Inventories		37,067	36,565
Trade, bills and other receivables	<i>12</i>	56,028	77,227
Utility and other deposits paid		16,189	16,452
Tax recoverable		493	–
Pledged bank deposits		1,419	441
Bank balances and cash		85,348	110,539
		196,544	241,224
		196,544	241,224
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	69,141	75,780
Contract liabilities		16,842	17,321
Amount due to ultimate holding company		37	39
Amount due to an intermediate holding company		260	73
Amount due to immediate holding company		549	549
Lease liabilities		23,573	32,075
Tax payable		655	2,053
Other borrowings – due within one year	<i>14</i>	15,933	16,526
Convertible bonds	<i>15</i>	35,294	20,484
		162,284	164,900
		162,284	164,900
<b>Net current assets</b>		34,260	76,324
<b>Total assets less current liabilities</b>		102,300	167,253

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b><i>(Unaudited)</i></b>	<b><i>(Audited)</i></b>
<b>Non-current liabilities</b>			
Convertible bonds	<i>15</i>	<b>85,671</b>	120,965
Lease liabilities		<b>14,365</b>	22,476
		<u><b>100,036</b></u>	<u>143,441</u>
<b>NET ASSETS</b>		<u><b>2,264</b></u>	<u>23,812</u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>34,007</b>	27,231
Deficit		<b>(47,670)</b>	(31,244)
Deficit attributable to owners of the Company		<b>(13,663)</b>	(4,013)
Non-controlling interests		<b>15,927</b>	27,825
<b>TOTAL EQUITY</b>		<u><b>2,264</b></u>	<u>23,812</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## For the six months ended 30 June 2022

### 1. BASIS OF PREPARATION

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

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

#### Going Concern

During the six months ended 30 June 2022, Tempus Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) reported a net loss of HK\$27,677,000. 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 15. If the Company fails to fully comply with the Deed (as defined in Note 15) and duly and punctually fulfil any of its obligation under the Deed or breaches any undertakings under the Deed, the convertible bonds holder (the “CBs holder”) will have the right to request immediate repayment of the original aggregated outstanding amount of approximately HK\$197,450,000 with interest and penalty interest less amounts already settled and reserves all of its right and 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.

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

- (i) The Group had settled HK\$76 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 condensed 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, to obtain additional working capital, meanwhile, the Group will implement various cost control measures to reduce various general and administrative and other operating expenses; and
- (iv) The Company will study the possibilities of replenishing its working capital by active fundraising.

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 condensed consolidated financial statements have been prepared on a going concern basis.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

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

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

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

**For the six months ended 30 June 2022**

	<b>Sales of health and wellness products business HK\$'000 (Unaudited)</b>	<b>Trading business HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Revenue			
External sales (recognised at a point in time)	<b>192,001</b>	<b>83</b>	<b>192,084</b>
Inter-segment sales	–	–	–
	<hr/>	<hr/>	<hr/>
Segment revenue	<b>192,001</b>	<b>83</b>	<b>192,084</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Elimination			–
			<hr/>
Group revenue			<b>192,084</b>
			<hr/> <hr/>
Segment loss	<b>(16,803)</b>	<b>(771)</b>	<b>(17,574)</b>
Share of results of associates			<b>(19)</b>
Reversal of impairment losses on financial assets			<b>425</b>
Unallocated administrative expenses			<b>(8,740)</b>
Other gains and losses, net			<b>(63)</b>
Bank interest income			<b>383</b>
Finance costs			<b>(2,089)</b>
			<hr/>
Loss before tax			<b>(27,677)</b>
Income tax expense			–
			<hr/>
Loss for the period			<b>(27,677)</b>
			<hr/> <hr/>



For the six months ended 30 June 2021

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

#### 4. OTHER INCOME

	Unaudited for the six months ended	
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Bank interest income	383	168
Government grants ( <i>Note</i> )	1,165	754
Sundry income	1,151	1,623
	<u>2,699</u>	<u>2,545</u>

*Note:* The amount recognised represented subsidies from government and there was no unfulfilled condition or contingency in respect of the government grants for the period ended 30 June 2022 and 2021.

#### 5. OTHER GAINS AND LOSSES, NET

	Unaudited for the six months ended	
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	–	21
Loss on fair value change of financial assets at fair value through profit or loss (“FVTPL”)	–	(3,438)
Impairment loss on property, plant and equipment ( <i>Note 11</i> )	–	(24,349)
Net exchange loss, net	(464)	(800)
COVID-19 related rent concessions ( <i>Note 11</i> )	–	575
Others	401	(508)
	<u>(63)</u>	<u>(28,499)</u>

#### 6. FINANCE COSTS

	Unaudited for the six months ended	
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
<b>Interest on:</b>		
Bank borrowings	–	1,444
Other borrowings	898	845
Convertible bonds ( <i>Note 15</i> )	–	16,015
Leases	1,191	1,165
	<u>2,089</u>	<u>19,469</u>

## 7. LOSS BEFORE TAX

	Unaudited for the six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Loss before tax has been arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	82,480	95,234
Impairment losses on property, plant and equipment ( <i>Note 11</i> )	–	24,349
(Reversal of impairment losses)/impairment losses on inventories	(589)	482
Depreciation of property, plant and equipment	4,748	7,188
Depreciation of right-of-use assets	18,977	20,431
Short-term leases expenses	4,247	6,071
Variable lease payments not included in the measurement of lease liabilities (based on turnover generated from the leased retail shops)/license fee	15,023	17,709

## 8. INCOME TAX EXPENSE

	Unaudited for the six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Current tax expense:		
The People's Republic of China (the "PRC") Enterprise Income Tax	–	928
Over-provision of taxation in prior years:		
Hong Kong Profits Tax	–	(452)
	–	476

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

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

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

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

## 9. DIVIDENDS

The Board has resolved not to declare an interim dividend for the Period (for the six months ended 30 June 2021: Nil).

## 10. LOSS PER SHARE

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

	<b>Unaudited for the six months ended</b>	
	<b>30 June 2022 HK\$'000</b>	30 June 2021 HK\$'000
Loss		
Loss for the period attributable to owners of the Company	<u>(27,519)</u>	<u>(60,009)</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>420,083</u>	<u>349,261</u>

*Note:* The computation of diluted loss per share for both interim periods does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the Company's shares.

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

During the Period, the Group acquired property, plant and equipment of HK\$1,423,000 (for the six months ended 30 June 2021: HK\$4,497,000).

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

During the Period, the Group entered into leases for the use of buildings for two to three years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$3,442,000 (for the six months ended 30 June 2021: HK\$16,659,000) of right-of-use assets and HK\$3,442,000 (for the six months ended 30 June 2021: HK\$16,554,000) of lease liabilities.

During the six months ended 30 June 2021, lessors of the relevant retail stores provided rent concessions to the Group through rent reductions ranging from 9% to 60% of original lease payment over 1 to 6 months.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the six months ended 30 June 2021, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$575,000 were recognised in other gains and losses, net.

## 12. TRADE, BILLS AND OTHER RECEIVABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade receivables	41,953	47,026
Bills receivable	–	1,224
Prepayments	8,013	7,778
Other receivables, net of expected credit losses	6,062	21,199
	<u>56,028</u>	<u>77,227</u>

Retail sales (other than those in department stores) are normally settled in cash or by credit cards with the settlement from the corresponding financial institutions within 14 days. Receivables from retail sales in department stores are collected within three months. The Group granted an average credit period from 30 days to 90 days to the corporate customers.

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
0 – 30 days	24,442	25,755
31 – 60 days	13,949	16,870
61 – 90 days	1,099	2,713
Over 90 days	2,463	1,688
	<u>41,953</u>	<u>47,026</u>

### 13. TRADE AND OTHER PAYABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade payables	39,270	39,329
Accruals	16,774	19,328
Others	13,097	17,123
	<u>69,141</u>	<u>75,780</u>

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
0 – 30 days	32,676	32,205
31 – 60 days	4,305	6,506
61 – 90 days	1,533	127
Over 90 days	756	491
	<u>39,270</u>	<u>39,329</u>

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

### 14. OTHER BORROWINGS

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Other borrowings – due within one year	<u>15,933</u>	<u>16,526</u>

The other borrowings bear fixed interest rate at 11% (31 December 2021: 11%) per annum. The other borrowings are unsecured.

## 15. CONVERTIBLE BONDS

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

On 15 May 2018, the Company entered into a subscription agreement (the “Agreement A”) with the CBs holder, an independent third party. Pursuant to the Agreement A, the CBs holder agreed to subscribe the convertible bonds with principal amount of HK\$160,000,000 at an interest rate of 7% per annum and guaranteed by the non-executive director of the Company, Mr. Zhong Baisheng. The CB 2018A was issued to the CBs holder on 1 June 2018 and was due on 30 May 2019.

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

The CBs holder has the right to convert the CB 2018A in whole into shares at the maturity date. Upon full conversion, 67,510,549 new shares would be issued based on the initial conversion price of HK\$2.37 per share which is subject to certain adjustments as set out in the Agreement A. The conversion option lapsed upon maturity of convertible bonds on 30 May 2019.

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

Further, the Group and its guarantor failed to fully settle the outstanding principal amount of HK\$162,752,000 together with accrued interest of HK\$5,600,000 of CB 2018A on 30 May 2019. As at 30 June 2021, the interest accrued by the Group after default amounting to HK\$51,125,000. The Group partially settled HK\$74,392,000 after the maturity date of CB 2018A of which HK\$15,500,000 was settled during the period ended 30 June 2021. As at 30 June 2021, the outstanding principal amount together with accrued interest of CB 2018A amounted to HK\$145,085,000.

### **Convertible bonds issued on 16 October 2018 (“CB 2018B”)**

On 9 October 2018, the Company entered into another subscription agreement (the “Agreement B”) with the CBs holder. Pursuant to the Agreement B, the CBs holder agreed to further subscribe the convertible bonds with principal amount of HK\$30,000,000 at an interest rate of 7% per annum and guaranteed by the non-executive director of the Company, Mr. Zhong Baisheng. The CB 2018B was issued to the CBs holder on 16 October 2018 and was due on 14 October 2019.

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

The CBs holder has the right to convert the CB 2018B in whole into shares at the maturity date. Upon full conversion, 23,510,971 new shares would be issued based on the initial conversion price of HK\$1.276 per share which is subject to certain adjustments as set out in the Agreement B. The conversion option lapsed upon maturity of convertible bonds on 14 October 2019.

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

Further, the Group and its guarantor failed to fully settle the outstanding principal amount of HK\$30,516,000 together with accrued interest of HK\$1,312,000 of CB 2018B on 30 May 2019.

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.

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.

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

	<b>Derivative Component</b> <i>HK\$’000</i>	<b>Debt Component</b> <i>HK\$’000</i>	<b>Total</b> <i>HK\$’000</i>
As at 1 January 2022 (audited)	20,484	120,965	141,449
Repayment by issue of shares	(20,484)	–	(20,484)
	<hr/>	<hr/>	<hr/>
As at 30 June 2022 (unaudited)	–	120,965	120,965
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 16. SHARE CAPITAL

	Number of shares	Share capital US\$
<b>Ordinary shares of US\$0.01 each</b>		
Authorised:		
At 1 January 2021 (audited) 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>10,000,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid or credited as fully paid</b>		
At 1 January 2021 and 31 December 2021 (audited)	349,260,800	3,492,608
Issue of shares ( <i>Note</i> )	<u>87,315,200</u>	<u>873,152</u>
At 30 June 2022 (unaudited)	<u>436,576,000</u>	<u>4,365,760</u>
	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Presented as	<u>34,007</u>	<u>27,231</u>

*Note:* On 4 February 2022, the Company allotted and issued 87,315,200 ordinary shares to the CBs holder at the subscription price of HK\$0.19941 per Subscription Share. For details please refer to Note 15 to the condensed consolidated financial statements.

## 17. PLEDGE OF ASSETS

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Pledged bank deposits	<u>1,419</u>	<u>1,419</u>

As at 30 June 2022, certain of the Group's lease liabilities are secured by the lessor's charge over the leased assets with carrying values of HK\$648,000 (31 December 2021: HK\$751,000).

## FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 June 2022 (Unaudited)</b>	Six months ended 30 June 2021 (Unaudited)	<b>Changes</b>
<b>Profitability data (HK\$'000)</b>			
Revenue	<b>192,084</b>	241,528	(20.5%)
Gross profit	<b>93,008</b>	127,254	(26.9%)
Loss before tax	<b>(27,677)</b>	(59,869)	(53.8%)
Loss after tax for the Period	<b>(27,677)</b>	(60,345)	(54.1%)
Loss per share – basic and diluted (HK cents)	<b>(6.55)</b>	(17.18)	(61.9%)
Gross profit margin	<b>48.4%</b>	52.7%	(4.3 ppt)

	<b>As at</b>		
	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)	<b>Changes</b>
<b>Assets and liabilities data (HK\$'000)</b>			
Bank balances and cash	<b>85,348</b>	110,539	(22.8%)
Other borrowings	<b>15,933</b>	16,526	(3.6%)
Net current assets	<b>34,260</b>	76,324	(55.1%)
Total assets less current liabilities	<b>102,300</b>	167,253	(38.8%)

### Assets and working capital ratios/data

Current ratio ( <i>times</i> )	<b>1.2</b>	1.5	(0.3)
Gearing ratio (%)	<b>51.7</b>	47.6	4.1
Inventories turnover days ( <i>days</i> )	<b>67.3</b>	54.9	12.4
Trade receivables turnover days ( <i>days</i> )	<b>41.9</b>	40.8	1.1
Trade payables turnover days ( <i>days</i> )	<b>71.8</b>	65.7	6.1

Notes for key ratio:

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Period, the Group's revenue was HK\$192.1 million, decreased by 20.5% as compared with that of HK\$241.5 million for the six months ended 30 June 2021. The Group's revenue from sales of the health and wellness products business decreased by 20.5% from HK\$241.4 million for the six months ended 30 June 2021 to HK\$192.0 million for the Period, while the Group's trading business generated revenue of approximately HK\$0.1 million which remained at similar level as the corresponding period of last year.

With the COVID-19 pandemic widespread outbreak in Mainland China and Hong Kong in early 2022 and with subsequent restriction policies implemented by local governments of each region, the business environments in respective regions were affected. The Group was compelled to temporarily suspend operations of its retail outlets in various cities as the local governments in Mainland China had announced lockdown policies in early 2022. Therefore, the Group's revenue for the Period has recorded a decrease as compared with the corresponding period of last year.

The Group recorded a loss for the Period of HK\$27.7 million, as compared with that of HK\$60.3 million for the six months ended 30 June 2021. The decrease in loss for the Period was mainly attributable to (i) absence of impairment loss on property, plant and equipment for the Period, while in the previous corresponding period, there was an impairment loss on property, plant and equipment of HK\$24.3 million recognized and (ii) absence of interests on bank borrowings and convertible bonds, while in the previous corresponding period, HK\$1.4 million and HK\$16.0 million were recognized, respectively.

### **SALES OF HEALTH AND WELLNESS PRODUCTS BUSINESS**

During the Period, sales revenue of massage chairs and other massage/fitness/diagnostics products were HK\$180.4 million and HK\$11.6 million, respectively, representing 94.0% and 6.0% of the Group's segment revenue from the sales of health and wellness products business, respectively. The Group launched a total of 24 new products, generating revenue of HK\$16.8 million, representing 8.8% of the Group's segment revenue from the sales of health and wellness products business.

#### **Sales Channels**

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

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

	Six months ended 30 June 2022		Six months ended 30 June 2021		Changes	
	<i>HK\$'000</i>	<i>% of</i>	<i>HK\$'000</i>	<i>% of</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(Unaudited)</i>	<i>revenue</i>	<i>(Unaudited)</i>	<i>revenue</i>		
Retail outlets	103,510	53.9	126,572	52.4	(23,062)	(18.2)
Roadshow counters	7,242	3.8	7,689	3.2	(447)	(5.8)
Corporate sales	55,962	29.1	78,510	32.5	(22,548)	(28.7)
International sales	4,784	2.5	9,456	3.9	(4,672)	(49.4)
Internet sales	20,503	10.7	19,188	8.0	1,315	6.9
Total	<u>192,001</u>	<u>100.0</u>	<u>241,415</u>	<u>100.0</u>	<u>(49,414)</u>	<u>(20.5)</u>

**(i) Traditional sales channels**

During the Period, the Group's revenue generated from traditional sales channels was HK\$103.5 million, representing 53.9% of the Group's segment revenue from the sales of health and wellness products business, and a decrease of 18.2% as compared to HK\$126.6 million for the six months ended 30 June 2021. Due to significant impact of the lockdown policies of the COVID-19 pandemic implemented in Mainland China, and the Hong Kong government additionally implemented various control measures to combat the fifth wave of the COVID-19 pandemic in early 2022, the revenue generated from traditional sales channels has significantly declined as compared with the corresponding period of last year.

As at 30 June 2022, the Group operated the following retail outlets which consist of retail stores and consignment counters:

	No. of outlets as at		
	30 June 2022	31 December 2021	30 June 2021
Mainland China	117	116	116
Hong Kong and Macau	22	23	23
Singapore	8	8	9
Total	<u>147</u>	<u>147</u>	<u>148</u>

### *Retail business in Mainland China*

As at 30 June 2022, the Group operated 117 retail outlets in Mainland China, which are mainly located in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin-Hebei regions and Chengdu. During the Period, the revenue contributed by retail business in Mainland China was HK\$38.8 million, representing a decrease of 22.7% as compared to HK\$50.2 million for the six months ended 30 June 2021. The Group's business was affected by the tightened restriction policies implemented by the PRC central government to combat with the COVID-19 pandemic during the Period.

### *Retail business in Hong Kong and Macau*

As at 30 June 2022, the Group maintained 22 retail outlets in Hong Kong and Macau. During the Period, the revenue contributed by the retail business in the region was HK\$44.7 million, representing a decrease of 14.9% as compared to HK\$52.5 million for the six months ended 30 June 2021. The revenue of the retail business in Hong Kong decreased by HK\$7.4 million or about 15.6% as compared to HK\$47.6 million for the six months ended 30 June 2021. During the Period, strong restriction policies on social activities in Hong Kong and Macau were implemented due to the outbreak of COVID-19 pandemic, causing a decline in the economies of both Hong Kong and Macau and thus affecting the Group's retail business in the region.

### *Retail business in Singapore and Malaysia*

As at 30 June 2022, the Group operated 8 retail outlets in Singapore. During the Period, the revenue contributed by retail business in the region was HK\$20.0 million, representing a decrease of 16.3% as compared to HK\$23.9 million for the six months ended 30 June 2021. The revenue of the retail business in Singapore experienced a decrease of HK\$2.9 million or about 12.7% as compared to HK\$22.9 million for the six months ended 30 June 2021. The decrease in revenue of the Group's retail business in Singapore was mainly due to the ongoing COVID-19 pandemic and higher inflation during the Period, which resulted in consumers having less appetite for retail purchasing.

The Group had shut down its operations in Malaysia during the first half year of 2021 due to the impact of COVID-19 pandemic.

## **(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 which operated in different department stores and shopping malls from time to time are of a promotional and non-permanent nature. The decrease of 5.8% in revenue from roadshow counters was mainly due to the COVID-19 pandemic, and its associated social distancing requirements including limitations on customer traffic and capacity at the roadshow counters.

The Group's corporate sales represent the sales of selected health and wellness products to corporate customers such as financial institutions, retail chain stores and professional bodies. The decrease of 28.7% in revenue from corporate sales was mainly due to the decrease in sales generated from certain major customers engaged in corporate sales.

International sales of the Group are generated by the export of the Group's health and wellness products to its international distributors or wholesalers for their distributions in overseas markets such as Eastern Europe and the Middle East. The decrease of 49.4% in revenue from international sales was mainly due to the relentless economic difficulties from the COVID-19 pandemic during the Period.

The Group's internet sales represent the sales through an online group-buying platform and the sales through its online stores at major business-to-customer (B2C) shopping platforms such as Tmall (天貓). The increase of 6.9% in revenue from internet sales was mainly attributable to the shift of customer shopping behavior and accelerated digitalization in B2C channels in all regions, especially during the COVID-19 pandemic.

## TRADING BUSINESS

The Group's trading business represents trading of goods such as personal consumables. During the Period, the revenue generated from the trading business was HK\$0.1 million which remained at similar level as the six months ended 30 June 2021. The Group's trading business was relatively inactive compared with other business segment during the Period.

## RESULTS OF OPERATION

### Revenue

Revenue represents the income from sales of health and wellness products and trading of consumer products. During the Period, the Group's revenue decreased by 20.5% to HK\$192.1 million from HK\$241.5 million for the six months ended 30 June 2021. The decrease was mainly attributable to the decrease in revenue of 20.5% generated from sales of health and wellness products business.

	Six months ended 30 June 2022		Six months ended 30 June 2021		Changes	
	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>HK\$'000</i>	<i>%</i>
Sales of health and wellness products	192,001	99.9	241,415	99.9	(49,414)	(20.5)
Trading	83	0.1	113	0.1	(30)	(26.5)
Total	<u>192,084</u>	<u>100.0</u>	<u>241,528</u>	<u>100.0</u>	<u>(49,444)</u>	<u>(20.5)</u>

## **Cost of sales**

Cost of sales represents product cost and direct expenses in relation to purchases of products. The Group's cost of sales for the Period was HK\$99.1 million, representing a decrease of 13.3% from HK\$114.3 million for the six months ended 30 June 2021. The decrease in cost of sales was mainly due to the drop in cost of sales for health and wellness products, which was in line with the drop in revenue of the same segment.

## **Gross profit**

The gross profits for the Period and for the six months ended 30 June 2021 were HK\$93.0 million and HK\$127.3 million, respectively. The gross profit margins for the Period and for the six months ended 30 June 2021 were 48.4% and 52.7%, respectively, representing a decrease of 4.3 ppt. The slightly decrease in gross profit margins was due to increase in the cost of sales for health and wellness products such as labour costs and material costs.

## **Other income**

Other income for the Period was HK\$2.7 million, mainly comprising government grants of HK\$1.2 million, repair income of HK\$0.8 million and bank interest income of HK\$0.4 million. Other income for the six months ended 30 June 2021 was HK\$2.5 million, mainly comprising government grants of HK\$0.8 million, repair income of HK\$0.9 million and bank interest income of HK\$0.2 million.

## **Other gains and losses, net**

Other gains and losses, net for the Period and for the six months ended 30 June 2021 was a loss of HK\$0.1 million and a loss of HK\$28.5 million, respectively. The significant reduction of loss of "other gains and losses, net" was due to the absence of the loss on fair value change on financial assets at fair value through profit or loss and the impairment loss on property, plant and equipment recognized during the Period, as compared with a loss on fair value change on financial assets at fair value through profit or loss of HK\$3.4 million and an impairment loss on property, plant and equipment of HK\$24.3 million recognized for the six months ended 30 June 2021.

## **Share of results of associates**

Share of results of associates for the Period was a loss of HK\$0.02 million (for the six months ended 30 June 2021: a loss of HK\$2.7 million), mainly representing the Group's share of loss from an associate, Guangdong Shucheng Technology Co., Ltd (廣東數程科技有限公司).



### **Selling and distribution expenses**

Selling and distribution expenses, mainly comprising distribution expense, rent and building management expense, advertising and marketing expense as well as staff costs, decreased from HK\$104.7 million for the six months ended 30 June 2021 to HK\$89.1 million for the Period. The decrease was mainly attributed to the decrease in rent and building management expense of HK\$14.2 million.

### **Administrative expenses**

Administrative expenses mainly comprising staff costs and professional fees, decreased from HK\$34.3 million for the six months ended 30 June 2021 to HK\$32.6 million for the Period. The decrease was primarily due to the decrease in depreciation of property, plant and equipment of HK\$3.6 million.

### **Finance costs**

Finance costs decreased to HK\$2.1 million for the Period from HK\$19.5 million for the six months ended 30 June 2021. The drop was mainly due to absence of interest expenses incurred from the convertible bonds after entering into the bonds restructuring deed.

### **Loss before tax**

As a result of the factors described above, the Group's loss before tax was HK\$27.7 million for the Period, as compared to the loss before tax of HK\$59.9 million for the six months ended 30 June 2021.

### **Income tax expense**

Income tax expense was HK\$ Nil for the Period and HK\$0.5 million for the six months ended 30 June 2021. No tax expense was provided for the Period since there was no assessable profit subject to income tax for the Period.

### **Loss for the period**

As a result of the factors described above, the Group's loss was HK\$27.7 million for the Period, as compared to a loss of HK\$60.3 million for the six months ended 30 June 2021.

## **FINANCIAL POSITION**

As at 30 June 2022, total equity of the Group was HK\$2.3 million (as at 31 December 2021: HK\$23.8 million). The decrease was mainly due to the loss for the Period.

As at 30 June 2022, the Group's net current assets were HK\$34.3 million (as at 31 December 2021: HK\$76.3 million). The current ratio was 1.2 times as at 30 June 2022 (as at 31 December 2021: 1.5 times).

As at 30 June 2022, total non-current assets of the Group were HK\$68.0 million (as at 31 December 2021: HK\$90.9 million), while the total current assets of the Group was HK\$196.5 million (as at 31 December 2021: HK\$241.2 million). The decrease in non-current assets and decrease in current assets were mainly due to the decrease in rights-of-use assets and the decrease in trade, bills and other receivables, bank balances and cash during the Period, respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2022, the Group had bank balances and cash of HK\$85.3 million (as at 31 December 2021: HK\$110.5 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 damaging the Group's reputation.

### **Operating activities**

Net cash used in operating activities was HK\$0.2 million for the Period (for the six months ended 30 June 2021: generated HK\$4.6 million), primarily reflecting the operating cash outflows before movements in working capital of HK\$2.2 million, as adjusted by a decrease of HK\$10.8 million in trade, bills and other receivables and a decrease of HK\$7.1 million in trade and other payables.

### **Investing activities**

Net cash used in investing activities was HK\$1.1 million for the Period (for the six months ended 30 June 2021: generated HK\$21.9 million), primarily consisted of payment for acquisition of property, plant and equipment of HK\$1.4 million and receipt of interest of HK\$0.3 million.

### **Financing activities**

Net cash used in financing activities was HK\$21.0 million for the Period (for the six months ended 30 June 2021: HK\$41.1 million), primarily due to repayments of lease liabilities of HK\$20.6 million and repayment of other borrowings of HK\$0.6 million during the Period.

## **BORROWINGS AND GEARING RATIO**

Total borrowings of the Group as at 30 June 2022 was HK\$136.9 million with effective interest rates ranging from 8% to 11% per annum. The Group's gearing ratio increased by 4.1 ppt from 47.6% as at 31 December 2021 to 51.7% as at 30 June 2022, primarily due to the significant decrease in trade, bills and other receivables of HK\$21.2 million and the bank balances and cash of HK\$25.2 million at the end of the Period.

## **WORKING CAPITAL**

As at 30 June 2022, the working capital of the Group was HK\$34.3 million, which represented a decrease of HK\$42.0 million or 55.0% as compared to the working capital HK\$76.3 million as at 31 December 2021. The decrease in working capital was primarily due to the net off of a decrease in short term lease liabilities of HK\$8.5 million, a decrease in trade, bills and other receivables of HK\$21.2 million and a decrease in bank balances and cash of HK\$25.2 million and an increase in payable of convertible bonds of HK\$14.8 million.

As at 30 June 2022, the Group's inventories increased by HK\$0.5 million to HK\$37.1 million from HK\$36.6 million as at 31 December 2021. The inventories turnover days was 67.3 days as at 30 June 2022 as compared with 54.9 days as at 31 December 2021. The increase in the inventories turnover days was primarily due to lockdown policies of the outbreak of the COVID-19 pandemic in early 2022 which directly affected the Group's sales activities.

As at 30 June 2022, the Group's trade receivables decreased by HK\$5.0 million, to HK\$42.0 million from HK\$47.0 million as at 31 December 2021. The trade receivables turnover days increased to 41.9 days from 40.8 days as at 31 December 2021. The increase in trade receivables turnover days was due to delay in the collections of trade receivables due to the outbreak of the COVID-19 pandemic.

As at 30 June 2022, the Group's trade payables remained at HK\$39.3 million, the same balance as at 31 December 2021. The trade payables turnover days increased by 6.1 days to 71.8 days from 65.7 days as at 31 December 2021. The increase in trade payables turnover days was mainly due to prolonged settlement process of trade payables at the end of the Period due to massive outbreak of COVID-19 pandemic.

## **CAPITAL EXPENDITURE**

During the Period, the Group's total capital expenditure amounted to HK\$1.4 million, which was used in the acquisition of property, plant and equipment.

## **CHARGE ON ASSETS**

As at 30 June 2022, the Group had pledged its leased assets and pledged bank deposits for the purpose of securing the lease liabilities and the banking facilities granted to the Group.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS**

During the Period, the Group did not process any other significant investment, acquisition or disposal of subsidiaries or associated companies.

## **OTHER EVENTS DURING THE PERIOD**

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

On 28 December 2021, as disclosed in Note 15, the Company entered into the Subscription Agreement with the CBs holder. All conditions precedent to the Subscription Agreement has been fulfilled and the completion took place on 4 February 2022 in accordance with the terms and conditions of the Subscription Agreement. A total of 87,315,200 Subscription Shares have been allotted and issued to the CBs holder pursuant to the terms of the Subscription Agreement, at the subscription price of HK\$0.19941 per Subscription Share. The aggregate nominal value of these 87,315,200 Subscription Shares is US\$873,152. The net issue price is approximately HK\$0.19564 per Subscription Share. The closing price of the shares of the Company as quoted on the Stock Exchange on 28 December 2021, being the date of the Subscription Agreement, was HK\$0.217 per share. Pursuant to the deed of set off executed by the CBs holder and the Company on 28 December 2021 (the “**Deed of Set Off**”) which further provides for the mechanism for setting off the consideration for the subscription of the Subscription Shares at Subscription Price against the Shares Settlement Amount in accordance with the Deed, the parties agreed 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 was 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 Group Holding Ltd.\* (騰邦物流集團股份有限公司) (“**Tempus Logistics**”), Tempus Group Co., Ltd.\* (騰邦集團有限公司) (“**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 201,534,092 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.

On 25 July 2022, the Company received a notification from Tempus Hong Kong that an arbitral award in relation to the Dispute has been granted by the Shenzhen Court of International Arbitration on 15 July 2022 (the “**Arbitral Award**”). The designated arbitration tribunal, among others, (i) held that the principal amount and interests of loan claimed by the Applicant against Tempus Logistics, in relation to the Dispute is confirmed and Tempus Logistics shall repay the amount as specified in the Arbitral Award; (ii) supported the Applicant’s claim over 201,534,092 shares of the Company being pledged by Tempus Hong Kong; (iii) ruled that the Applicant is entitled to enforce the Share Pledge over 201,534,092 shares of the Company owned by Tempus Hong Kong and has priority in the proceeds of such sale for repaying the amount as referred in (i), lawyer’s fee, conservation fee and arbitration fee within the limit of RMB370 million; and (iv) held that the other two Respondents (other than Tempus Logistics and Tempus Hong Kong) together with other respondents in the Dispute as specified in the Arbitral Award shall be jointly liable for the principal amount and interests within the limit of RMB1,700 million, and the Respondents together with other respondents in the Dispute as specified in the Arbitral Award shall be jointly liable to the relevant lawyer’s fee, conservation fee and arbitration fee in connection with the Dispute within in the limit of approximately RMB10 million. The Arbitral Award is final and legally binding.

\* for identification purposes only

The Company confirms that up to the date of this announcement, so far as the Board is aware, the Arbitral Award has no material adverse impact on the business and general operations of the Group. As at the date of this announcement, the Company is carrying out operation as usual and its operation and management remains stable.

For details, please refer to the Company's announcements dated 7 March 2022 and 27 July 2022.

### **Court Decision on Reorganization of Controlling Shareholders**

On 11 March 2021, the Company received a notification from Tempus Group and 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 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) ("**Lianri Zhaoyao**") for the reorganization of Tempus Group and Tempus Logistics was disallowed.

On 21 April 2022, the Company received further notifications from Tempus Group and Tempus Logistics that Lianri Zhaoyao disagreed with the judgement made by the Court on 13 December 2021 disallowing the reorganization of Tempus Group and Tempus Logistics and therefore has applied to the Higher People's Court of Guangdong Province\* (廣東省高級人民法院) for an appeal which had been accepted.

On 19 May 2022, the Company received further notifications from Tempus Group and Tempus Logistics that the Higher People's Court of Guangdong Province\* (廣東省高級人民法院), having considered the value and feasibility of the reorganization of Tempus Group and Tempus Logistics, decided to turn down the appeal by Lianri Zhaoyao and maintained the decision of disallowing the reorganization of Tempus Group and Tempus Logistics by the Court.

So far as the Board is aware, up to the date of this announcement, the event 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, 17 December 2021, 22 April 2022 and 20 May 2022.

\* *for identification purposes only*



## **Suspension of Duties and Powers of an Executive Director**

On 25 June 2022, the Company has been advised by Shenzhen Public Securities Bureau that Mr. Sun Yifei (“**Mr. Sun**”), being an executive Director, has been requested to provide assistance in a criminal investigation by Shenzhen Public Securities Bureau involving two of the Group’s former employees, being Mr. Li Dongming, the former executive director of the Company and chief executive officer, and Mr. Jiang Bian, the former chief finance officer of the Company.

On 16 June 2022, Shenzhen Tempus Value Chain Co., Ltd.\* (深圳市騰邦價值鏈股份有限公司) (“**Value Chain Co.**”), a subsidiary of the Company, initiated a civil claim on a dispute concerning damaging company’s interest liability against Mr. Tang Zhiyuan (唐志遠先生), the then legal representative, chairman and general manager of Value Chain Co. and the then legal representative, executive director and general manager of Shenzhen Qianhai Zhiyuan Shuzhi Value Chain Co., Ltd\* (深圳前海致遠數智價值鏈有限公司) (formerly known as Shenzhen Qianhai Tempus Value Chain Co., Ltd.\* (深圳前海騰邦價值鏈有限公司)) (“**Tempus Value Chain**”), Shenzhen Zhiyuan Shuzhi Supply Chain Management Company Limited\* (深圳市致遠數智供應鏈管理有限公司), (formerly known as Shenzhen Youxingxin Logistics Co., Ltd.\* (深圳市友興昕物流有限公司)) being the purchaser, and Tempus Value Chain, being the target company, in respect of matters relating to the transfer of the entire equity interest in Tempus Value Chain which took place on 30 December 2019. Mr. Sun was the investment director of the Group at the relevant time of the aforesaid transfer in 2019. Please refer to the Company’s announcement dated 30 December 2019 for further details in respect of the transfer.

The Board has resolved on 1 June 2022, among other things, to suspend all administrative and executive duties and powers of Mr. Sun as the executive Director and a member of the executive committee of the Company with effect from 2 June 2022 until further notice. The Board has referred the matter to the Company’s internal investigation committee for investigation and the investigation is still at the preliminary stage.

For details, please refer to the announcement of the Company dated 1 August 2022.

## **IMPORTANT EVENTS AFTER THE END OF THE PERIOD**

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the Period (for the six months ended 30 June 2021: Nil).

## **CONTINGENT LIABILITIES**

Saved as disclosed in this announcement, the Group did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021.

\* *for identification purposes only*

## **FOREIGN EXCHANGE RISK MANAGEMENT**

As at 30 June 2022, the Group was exposed to certain foreign exchange risk as the Group had bank balances in Renminbi of approximately RMB21.6 million (equivalent to approximately HK\$25.3 million), in Singapore dollar of approximately SGD5.0 million (equivalent to approximately HK\$28.3 million), and in United States dollar of approximately US\$0.2 million (equivalent to approximately HK\$1.6 million). The Group does not use any derivative financial instruments to hedge the foreign exchange risk. Instead, the Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS**

The Group does not have any solid plans for material investments or acquisition of capital assets as at the date of this announcement. The Group continues to seek appropriate investment opportunities which are in line with the Group's strategy.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had a total number of 611 (as at 31 December 2021: 629) full-time employees. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option scheme of the Company. The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute Macanese Pataca 60 per month for each employee to the retirement benefit plan to fund the benefits.

The employees in Mainland China are members of the state-managed retirement benefit scheme operated by 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.

As at 30 June 2022 and 2021, the Group had no other significant obligation apart from the contribution as stated above.

During the six months ended 30 June 2022 and 2021, 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 Period, and as at 30 June 2022, there was no forfeited contribution available to reduce the Group's existing level of contributions to the retirement benefit schemes (30 June 2021: Nil).

## SHARE OPTION SCHEME

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

During the Period, no share options have been granted under the New Share Option Scheme. Movements of the outstanding share options granted under the 2011 Share Option Scheme during the Period are as follows:

	<b>Balance as at 1 January 2022</b>	<b>Share options granted</b>	<b>Share options exercised</b>	<b>Share options lapsed</b>	<b>Balance as at 30 June 2022</b>
Lot 1 ( <i>Note</i> )	9,900,000	–	–	(9,900,000)	–
Lot 2	29,688,000	–	–	(1,398,000)	28,290,000
	<u>39,588,000</u>	<u>–</u>	<u>–</u>	<u>(11,298,000)</u>	<u>28,290,000</u>
Total	<u>39,588,000</u>	<u>–</u>	<u>–</u>	<u>(11,298,000)</u>	<u>28,290,000</u>

*Note:* Share options granted under Lot 1 expired on 15 April 2022.

## **STRATEGIES AND PROSPECTS**

The persistent spreading of COVID-19 pandemic with new waves of infection have had widespread consequences during the Period. The implementation of the tightened COVID-19 pandemic prevention measures have affected the market conditions adversely. The businesses in Mainland China, Singapore, Hong Kong, and Macau have not fully recovered yet. The Group's revenue and gross profit for the Period decreased by 20.5% and 26.9% respectively as compared to the corresponding period in 2021 because of the unstable economic environment.

Although the road to the market development and economic recovery is still full of uncertainty, the Group will devote its strengths to further developing the business. Looking forward, we will continuously monitor the effects of the COVID-19 pandemic and respond swiftly to the potential impact it has on the financial position and operating results of the Group. Improving financial performance remains the key to our business. The Group will strive to improve the business results by expanding its core business to enhance consumer engagement. Also, the Group will further consolidate the financial resources and strengthen the resources management to improve financial returns to the shareholders. At the same time, the Group will also study the possibilities of strengthening its financial activities to supplement the working capital of the Group and seek opportunities for business development.

## **COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Period.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

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

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

## **REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE**

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

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

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

By Order of the Board  
**Tempus Holdings Limited**  
**Zhong Baisheng**  
*Chairman*

Hong Kong, 29 August 2022

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