MOMENTUM FINANCIAL
HOLDINGS LIMITED
正乾金融控股有限公司

MOMENTUM FINANCIAL HOLDINGS LIMITED

(formerly known as Infinity Financial Group (Holdings) Limited)
(Incorporated in Bermuda with limited liability)
Stock Code : 1152

Annual Report 2019

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Ng Hoi
Mr. Huang Jian (appointed on 30 May 2019)
Mr. Liu Xin Chen (appointed on 2 July 2019)
Mr. Chan Chun Man (appointed on 12 July 2019)
Mr. Chan Chung Shu *(Chairman)*
(resigned on 2 July 2019)

Non-executive director

Mr. Chong Yu Keung (appointed on 30 May 2019)

Independent non-executive directors

Mr. Wong Lap Wai (appointed on 2 July 2019)
Mr. Yeh Tung Ming
Mr. Zhang Hua
Mr. Ho Man (resigned on 2 July 2019)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2407, 24/F
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

COMPANY SECRETARY

Ms. Ngan Wai Kam, Sharon (appointed on 12 June 2019)
Mr. Chan King Keung (resigned on 12 June 2019)

AUTHORISED REPRESENTATIVES

Mr. Ng Hoi
Ms. Ngan Wai Kam, Sharon (appointed on 12 June 2019)
Mr. Chan King Keung (resigned on 12 June 2019)

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

MEMBERS OF THE AUDIT COMMITTEE

Mr. Wong Lap Wai *(Chairman)*
(appointed on 2 July 2019)
Mr. Yeh Tung Ming
Mr. Zhang Hua
Mr. Ho Man *(Chairman)* (resigned on 2 July 2019)

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Yeh Tung Ming *(Chairman)*
Mr. Wong Lap Wai (appointed on 2 July 2019)
Mr. Zhang Hua
Mr. Ho Man (resigned on 2 July 2019)
Mr. Liu Xin Chen (appointed on 5 May 2020)

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Zhang Hua *(Chairman)*
Mr. Wong Lap Wai (appointed on 2 July 2019)
Mr. Yeh Tung Ming
Mr. Ho Man (resigned on 2 July 2019)
Mr. Liu Xin Chen (appointed on 5 May 2020)

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Dah Sing Bank Limited
33/F., Everbright Centre
108 Gloucester Road
Hong Kong

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
3rd Floor, Winbase Centre
208 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.1152.com.hk

STOCK CODE

1152

BUSINESS REVIEW

1. Cross-Border trading business — nutrition food and health care products

In view of the market growth in nutritional food products in the PRC and to cater for customers' demands thereof, during the second half year of 2017, the Group started to engage in trading activities related to nutritional food products in connection with the Group's trading business.

Our major suppliers are import agencies and distributors of nutritional food products. The import agencies and distributors covered several reputable and major foreign brands of nutritional food products and their products are all supplied by official channels of the brands. In addition, some of them have obtained the authorisation from the foreign brands to use the brand directly for brand promotion. The import agencies and distributors offer several nutritional food products for the Group to choose as its product portfolio. The Group will from time to time review its product portfolio and consider to expand the product portfolio if necessary and when opportunities arise.

Our major customers are local trading companies and providers of import/export services. To the best of the Group's knowledge, those local trading companies mainly sell the products to the domestic in Hong Kong and the PRC market, and most of their target customers are tourists from the PRC.

The Company adjusts its business strategy of the trading business from time to time according to different market circumstances. During the year ended 31 December 2019, in Hong Kong, there were less tourists from the PRC visiting Hong Kong, the Company therefore devoted more resources on its cross-border e-commerce trading and sales to satisfy demand in the PRC. The expansion of cross-border e-commerce trading allows the Group to not only limit customers to local trading companies and providers of import/export services, but to also expand its customer base to customers in the PRC. To manage against the drop in orders placed by customers in Hong Kong and to follow the trend in the growth in e-commerce, coupled with the joining of the new management members during the year, the Board was of the view that there is an opportunity for the Group to change its sales strategy from passively relying on local trading companies and providers of import/export services to sell to end customers to actively offer the nutritional products to the end customers in the PRC, hence the Group commenced cross-border trading of nutritional products since June 2019.

With the assistance of the new management of the Group who are experienced in cross-border e-commerce and have in depth knowledge of the PRC market, the Group has entered into a cooperation service agreement with an online shopping platform in the PRC for the sale of nutritional food products through the online platform.

In the PRC, online shopping is gaining popularity expeditiously due to the high traffic on the online shopping platforms and will become an important shopping channel for both local and overseas customers in the future. Coupled with the current situation in Hong Kong, the Board is of the view that it is a good time to capture the opportunity to enter into the PRC market directly through cross-border online trading.

The Group is currently working with the online platform. It is anticipated that the trading business of the Group will extend to all parts of the PRC through the online platform.

In order to tap into the growing internet retailing, the Group has entered into a cooperation service agreement (the "Cooperation Service Agreement") with 深圳七號洋行電子商務有限公司* (Shenzhen No. 7 Yanghang E-commerce Company Limited, the "No. 7") on 2 July 2019 and became a merchant client to have its products listed on No. 7's platform for sale. No. 7 is a shopping platform dedicated to provide a fast and worry-free shopping experience for overseas products. No. 7 is a cross-border e-commerce company integrating overseas direct procurement, import and export supply chain management, commodities promotion & distribution, (B2B) Integrated service provider.

Pursuant to the Cooperation Service Agreement, the online platform will promote and publish information and retail prices of the products specified by the Group on No. 7's website or other channels provided by No.7 and provide customer service and accept orders from customers on behalf of the Group. When an order for the Group's products has been placed, the online platform will collect the sales proceeds from the customers, deduct the corresponding service fee and other related expenses and remit the balance to a designated bank account of the Group. The Group will then, through the services provided by Shenzhen Yueyang (as define below) under the Supply Chain Agreement (as defined below), arrange for delivery of the ordered products to the customer in accordance with the information provided by the online platform. Given the nutritional food products will be sold directly to end customers, the profit margin derived from the trading business is expected to increase.

The Group has already entered into a supply chain agreement with 深圳越洋供應鏈管理有限公司* (Shenzhen Yueyang Supply Chain Management Company Limited, "Shenzhen Yueyang") on 13 June 2019 (the "Supply Chain Agreement"), pursuant to which Shenzhen Yueyang has agreed to provide the Group with one-stop service for import of bonded goods, including but not limited to overseas pick-up and customs clearance, transport between PRC and Hong Kong, bonded customs declaration and inspection, bonded warehousing, order sorting, customs clearance for goods entering into the PRC border and delivery of goods in PRC. With this supply chain network in place, the Group will be able to sell its nutritional food products to customers in the PRC via various import agency companies. The entering of the Supply Chain Agreement is mainly for the logistic purpose, inter alia, the custom clearance for goods in the e-commerce business.

The entering of the Cooperation Service Agreement is for launching the online sales distribution platform of the goods for the Group which helps expand the sales channel of the Group and tap into the PRC market.

The Group will source the products from import agencies and distributors of nutritional food products in Hong Kong and deliver the products directly to the bonded warehouse, which will then be sold to customers both in Hong Kong and the PRC through the online platform. A bonded warehouse is a building or secured area in a special customs supervision area in China in which dutiable goods are stored before payment of duties.

To support its cross-border trading development, the Group has signed framework agreements with its major suppliers to establish a long term business relationship and maintain reliable and stable supply of products. Exemplifying this is a framework agreement signed with a Japanese company in relation to the provision of beauty products and other products of daily use. In view of the growing demand for overseas products in the PRC, the Directors consider that the variety of imported products to be traded through the online platform will diversify the trading business.

The entering of the Framework Agreement enables the Group to secure and diversify the supply of different types of products from different suppliers. Details of price, payment and delivery terms will be contained in individual purchase orders and invoices.

2. Provision of finance leasing and consultancy service

The Finance Leasing Business has been one of the principal businesses of the Group since 2014. The Group is from time to time looking for suitable opportunities to expand its Finance Leasing Business.

The Group's Finance Leasing Business mainly includes (i) direct finance leasing; and (ii) sale and leaseback.

(i) Direct finance leasing

Direct finance leasing generally involves the Group acquiring machinery or equipment directly from the supplier at the instruction of the Group's customer, which is then leased to the customer of the Group. The customer will then repay the financing amount, interest and handling fee to the Group in monthly installments. The financing amount granted by the Group will usually be determined based on the purchase price of the machinery or equipment and the customer's creditworthiness and ability to repay. Upon the expiry of the lease term and full repayment of the lease payment, the ownership of the machinery or equipment will be transferred to the customer at a nominal price. In direct finance leasing, although the Group has legal ownership to the machinery or equipment underlying the lease during the lease term, substantially all the risks and rewards of the ownership are transferred to the customer through contractual relationship between the Group and the customer.

(ii) Sale and leaseback

Sale and leaseback typically involves a customer selling its owned machinery or equipment to the Group and the Group then lease back such machinery or equipment to this customer. This form of finance leasing is primarily used by customers who need working capital to fund their business operation. The customer will then repay the financing amount, interest and handling fee to the Group in monthly installments. The financing amount granted by the Group will usually be determined based on the purchase price and depreciation of the machinery or equipment and the customer's creditworthiness and ability to repay. Upon the expiry of the lease term and full repayment of the lease payment, the ownership of the machinery or equipment will be transferred back to the customer at a nominal price. In sale and leaseback transaction, although the Group has legal ownership to the machinery or equipment underlying the lease during the lease term, substantially all the risks and rewards of the ownership are transferred to the customer through contractual relationship between the Group and the customer.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, Cross-Border trading business — nutrition food and health care products segment recorded a segment revenue of approximately HK$294.3 million, showing an increase of 120.5% comparing with last year.

The increase was mainly due to the effort of the Group to expand the customer base, means of trading and product portfolio during the year.

For the year ended 31 December 2019, finance leasing business segment recorded a segment revenue of approximately HK$5.2 million, showing an increase of 25.8% comparing with last year.

The increase was mainly due to the result of the successful implementation of the strategy of the Group to focus on the financial leasing market of medical equipment for hospitals in the PRC in order to capture the potential growth in demand for medical care arising from continuous ageing of general population in the PRC.

Cost of Sales and Gross Profit

The Group's cost of sales during the year ended 31 December 2019 (the "Reporting Period") increased by 115.9% to approximately HK$281.7 million compared to the year ended 31 December 2018 (the "Corresponding Period") which was driven by the increase in revenue.

The gross profit margin of the Group increased from approximately 5.2% for the Corresponding Period to approximately 6.0% for the Reporting Period. The gross profit had increased by 148.2% to approximately HK$17.9 million compared to the Corresponding Period due to the increase in revenue. The increase in gross profit margin was mainly attributable to the significant increase in the revenue from cross border trading business — nutrition food and health care products segment.

Expenses

The administrative and other expenses accounted for the largest portion of the operating cost. The administrative and other expenses increased by 26.6% to approximately HK$27.6 million compared to the Corresponding Period mainly due to (i) increase in staff costs because of increase in headcount and; (ii) increase of allowance on receivables recognised during the Reporting Period.

Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Loss for the year

The Group recorded a loss for the year of approximately HK$18.7 million for the Reporting Period (2018: loss for the year of approximately HK$22.0 million). The decrease in loss for the year was mainly due to increase in the revenue and gross profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had total cash and bank balances of approximately HK$43.9 million as at 31 December 2019 (31 December 2018: HK$72.3 million). The current ratio (current assets divided by current liabilities) of the Group increased from 1.3 times as at 31 December 2018 to 1.5 times as at 31 December 2019. As at 31 December 2019, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$").

In June 2019, the Company issued a promissory note in a principal amount of HK$10,000,000 with an interest rate of 3% per annum and a maturity of 2 years to an independent third party. The net proceeds of approximately HK$10 million was intended to be used for working capital. As at the date of this report, the net proceeds had not been used.

Pursuant to a subscription agreement dated 14 June 2019 and the supplemental agreement dated 17 June 2019, the Company issued convertible bonds in an aggregate principal amount of HK$39,000,000 with 5% interest per annum three-year lifespan on 24 June 2019. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$0.2, the Convertible Bonds will be convertible into 195,000,000 conversion shares. Details are disclosed in the announcements of the Company dated 14 June 2019, 17 June 2019 and 24 June 2019. The gross proceeds from the subscription of the Convertible Bonds was approximately HK$39 million and the net proceeds was approximately HK$38.7 million. As at 31 December 2019, no share was converted. As at the date of this report, HK$15 million was used as intended.

Due to the capital-intensive nature of the finance leasing business, the finance leasing business is largely driven by the capital base of the Group. In order to support and expand the finance leasing business and the cross-border trading business, the Group will strive to diversify its financing sources and explore fund raising opportunities.

CONTINGENT LIABILITIES

As at 31 December 2019 and 31 December 2018, our Group had no significant contingent liabilities.

GEARING RATIO

The gearing ratio was 40.9% as at 31 December 2019 (31 December 2018: 46.8%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year. The decrease in gearing ratio is mainly due to the increase in trade and other receivables and finance lease receivables outweighed the increase in convertible bond and promissory note. The current ratio (current assets divided by current liabilities) increased from 1.3 to 1.5 was mainly due to an increase in trade and other receivables and decrease in loan from the ultimate holding company during the year.

PLEDGE OF ASSETS

As at 31 December 2019, no assets of the Group had been pledged (2018: motor vehicles held under finance lease with carrying amount of approximately HK$1.6 million).

CAPITAL EXPENDITURE

For the year ended 31 December 2019, the Group incurred approximately HK$354,000 (2018: approximately HK$2.4 million) on the acquisition of property, plant and equipment.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$11.0 million (2018: HK$11.6 million).

FOREIGN EXCHANGE EXPOSURE

In respect of the finance lease business, the Group's receipts, payments and operating expenses are all transacted in RMB, in which the Group expects the currency risks would be insignificant.

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2019 (2018: Nil).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group has a workforce of approximately 17 employees (31 December 2018: 12) in Hong Kong and the PRC.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the Shareholders on 11 October 2011, the Group has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the year ended 31 December 2019, no share options were granted by the Group since the adoption of the Scheme.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 20 December 2019, the Company received a letter from The Stock Exchange of Hong Kong Limited notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rule (effective from 1 October 2019) to warrant the continued listing of its shares (the "Decision"). As at the date of this report, the Decision is pending for a review by the Listing Committee of The Stock Exchange of Hong Kong Limited.

To maintain a sufficient level of operations and assets of sufficient value to support its operations, the Group has been exploring ways to improve its financial performance and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or extending to other business as long as it is in the interest of the Company and the shareholders as a whole. Meanwhile, the Company does not preclude the possibility that the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects. In these regards, the Company will publish announcement as and when appropriate according to applicable rules and regulations.

SIGNIFICANT INVESTMENT HELD

The Group did not hold significant investment for the year ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in note 33(a) to the consolidated financial statements, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2020, the epidemic caused by the novel coronavirus began to spread in China. Considering the severity of the accelerating spread of the epidemic, the Group implemented the PRC government's decisive measures and plans to secure victory in the battle of epidemic prevention and control. In adherence to the guidelines of the China Government and to protect our employees from infection, the Group has adopted preventive and control measures against the epidemic. The Group gradually resumed limited operation in March 2020 following the temporary suspension of operation after Chinese New Year holiday. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group.

On 16 March 2020, Zhongmao Leasing, an indirect wholly-owned subsidiary of the Company incorporated in the PRC, had entered into a revolving factoring master agreement "Master Agreement" with a customer to provide factoring facility service in the principal amount of RMB15,000,000. The Company further announced on 20 March 2020 that due to the intended factoring facility service cannot be sufficiently established in the Master Agreement, the Company and the customer had entered into mutual agreement to terminate the Master Agreement and to enhance the terms of the Master Agreement to align it with the agreed intention of the parties. The Company would make further announcement when a new revolving factoring master agreement will be entered into.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and financial institutions to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between our Group and its business partners or financial institutions.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in HK$, US$ and RMB, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Interest Rate Risk

For interest-sensitive products and investments, our Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorization system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

OUTLOOK AND PROSPECT

The recent outbreak of the novel coronavirus ("COVID-19") has created both challenges and opportunities for the Group. It is believed that COVID-19 will lead to significant increase in demand of medical equipment, the Group will continue to put the best effort to expand its finance leasing business towards this sector. At the same time, with the ageing population in PRC, senior citizen is expected to increase gradually and leading to increase in demand in medical care equipment. As intended, the Group focus at the grass-roots level and secondary public hospitals customers in Shandong Province and Henan Province, where the GDP is in high ranking and large number of hospitals and community heal centers. Apart from these province, the Group will continue to look for any new opportunity in financial leasing market in order to enhance the profitability of the Group.

Trading business continues to provide a stable source of revenue to the Group but competitive with a thin profit margin. To maintain the competitive edge and improve the Group's sales coverage, the Group has continuously been developing and expanding the Group's sales network. With the COVID-19, online shopping is gaining popularity expeditiously due to the implementation of various emergency measure by PRC government to combat the spread of the coronavirus which will be favourable to the cross-border online trading of the Group. Also, against the recent environment, it is expected that the demand for nutrition food and health care products will increase and provide opportunities to the Group. The Group is still constantly looking for opportunity to diversify the products and spectrum of trading business including but not limited to the business collaboration opportunities with other distributors and suppliers of other products such as skin care, body care, cosmetic products and fragrances with the aim to diversify and strengthen its existing product mix and portfolio, offering a wider variety of products to its customers and thereby increases the revenue of the Group.

BOARD OF DIRECTORS

Executive directors

Mr. Ng Hoi ("Mr. Ng"), aged 46, has been appointed as an executive director of the Company since November 2016. Mr.Ng is also a director of various subsidiaries of the Company and the authorized representative of the Company. He was director of Wukan Kanda Real Estate Development Limited Company since November 2010. Mr. Ng had around 20 years of experience in areas including import and export trading, international investment and economics analysis and real estate investment planning. Since 1996, Mr. Ng had taken up different roles in various companies, including a director of a Beijing investment management company, a director of a Lanzhou real estate development company and the head of the investment department of a Fujian real estate company. Mr. Ng graduated from Xiamen University, specializing in international economics relationship and obtained a bachelor's degree in Economics in July 1996. Mr. Ng also obtained a Master of Business Administration from Tsinghua University School of Economics and Management in July 2010.

Mr. Huang Jian ("Mr. Huang"), aged 46, has been an executive director of the Company since May 2019. Mr. Huang obtained a Bachelor's degree in Audit from Sun Yat-sen University* (中山大學) in 1996. He received a Master's degree in International Accounting from the City University of Hong Kong in 2005. He is also a Certified Public Accountant in China. He is a Certified Public Accountant (Practicing) under Beijing Yongtuo Certified Public Accountants LLP* (北京永拓會計師事務所). He has business consulting and accounting audit experience. Currently, he is the Investment Director of J.Q. Pictures Holdings Limited, and an independent director of Guangdong Kingman Group Co., Ltd.* (廣東金曼集團股份有限公司)(stock code: 400012CH). Since July 2017, Mr. Huang has also been appointed as an independent non-executive Director of Millennium Pacific Group Holdings Limited (the shares of which are listed on the GEM ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"))(stock code: 8147).

Mr. Liu Xin Chen ("Mr. Liu"), aged 55, has been an executive director of the Company since July 2019. He is also a director of various subsidiaries of the Company. He has been appointed as a member of the Nomination Committee and Remuneration Committee of the Company since 5 May 2020. Mr. Liu was an engineer. He later engaged in international settlement and accounting field and has been holding management position in investment industry. He possesses more than twenty years experience in financial and investment. He was awarded the bachelor degree in engineering from Shanghai Railway Institute of China.

Mr. Chan Chun Man ("Mr. Chan"), aged 37, has been an executive director of the Company since July 2019. He is also a director of various subsidiaries of the Company. Mr. Chan has held management positions in different industries, including finance leasing, import trading and marketing affairs etc. He acted as a financial leasing director of Dongguan Xuntu Financial Leasing Co., Ltd. (東莞市迅途融資租賃有限公司) from September 2017 to December 2018. He also acted as a sales director of Dongguan Huangjiang Wei'an Department Store (東莞市黃江偉安百貨商行) from January 2013 to July 2017.

Non-executive Director

Mr. Chong Yu Keung ("Mr. Chong"), aged 55, has been a non-executive Director of the Company since July 2019. Mr. Chong holds a Bachelor's degree in E-commerce with over 20 years of financial experience in securities brokerage, investment, corporate finance, wealth management and private banking. Mr. Chong is the holder of Responsible Officer licences issued by the Hong Kong Securities and Futures Commission to carry on type 1, 4 and 9 regulated activities under the SFO. Mr. Chong had served various positions in leading financial companies and banks including The Chase Manhattan Bank N.A., Prudential-Bache Securities (HK) Ltd., UBS Warburg, Dryden Securities (HK) Ltd., Fortis Bank, Hong Kong, Forties Wealth Management (HK) Ltd., FT Securities (HK) Ltd. And Standard Chartered Bank Hong Kong. Mr. Chong had served as a director in a number of non-listed financial institutions in the past 10 years. In 2016, Mr. Chong had been an executive director of Glory Flame Holdings Limited (the shares of which are listed on GEM of the Stock Exchange)(stock code: 8059). Since July 2017, Mr. Chong has been a non-executive Director of Millennium Pacific Group Holdings Limited (the shares of which are listed on GEM of the Stock Exchange (stock code: 8147)).

Independent non-executive Directors

Mr. Wong Lap Wai ("Mr. Wong"), aged 54, is an independent non-executive Director of the Company, the chairman of the Audit Committee of the Company, a member of the Remuneration Committee and Nomination Committee of the Company since July 2019. Mr. Wong has over 20 years of experience in the banking industry in Hong Kong and is a senior financial practitioner. He has extensive experience in the Hong Kong capital market, especially in the project investment industry and the financial securities industry. Mr. Wong holds a degree of bachelor of economics in business administration from Jinan University (暨南大學) and a degree of master of business administration from Oklahoma City University.

Mr. Yeh Tung Ming ("Mr. Yeh"), aged 69, has been an in has been an independent non-executive director of the Company since November 2016. He is also the chairman of the Remuneration Committee of the Company, a member of the Audit Committee and Nomination Committee of the Company. He is also a director of a company principally engaging in the business of elderly medical services, environmental protection investment planning and management. He was the general manager of a Shanghai company engaging in the production and sale of IT communication components business from 1999 to 2005. He was appointed as a director of Goldigit Atom-tech Holdings Limited (SEHK stock code: 2362) from 2001 to 2004. Mr. Yeh has over 40 years of experience in worldwide import and export trading and marketing management in the PRC market. Mr. Yeh graduated from the University of Chinese Culture with a bachelor of arts degree.

Mr. Zhang Hua ("Mr. Zhang"), aged 57, has been an independent non-executive director of the Company since September 2017. He is also the chairman of the Nomination Committee of the Company, a member of the Audit Committee and Remuneration Committee of the Company. Mr. Zhang is a Bachelor of Engineering from Tianjin University and Master of Business Administration and Ph.D in Finance from McGill University.

Mr. Zhang has in-depth financial knowledge. He has been teaching finance in The Chinese University of Hong Kong since 1993. His current teaching and research focus is on corporate financial management, capital markets, financial derivatives, bond markets and risk management. He has published over 20 research papers in international journals, including "Journal of Banking and Finance", "Journal of International Money and Finance", "Journal of Money, Credit and Banking", "Journal of Futures Markets" and "Pacific-Basin Finance Journal", etc. and received outstanding paper awards in various international academic conferences.

Mr. Zhang also has extensive experience in senior management training. He has nurtured and developed talents for The Chinese General Chamber of Commerce, Ministry of Information Industry of the People's Republic of China, China Mobile and China Unicom in the areas of finance and management.

Save as disclosed herein, there is no other relationship between each of Directors and the senior management as required to be disclosed under the Listing Rules.

The Directors present their report together with the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2019 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 50 to 127 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2019.

The declaration and payment of dividends and the amount of dividends in future will be at the discretion of the Board and will depend on future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Board considers relevant.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Management Discussion & Analysis" on pages 4 to 13 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarized on pages 128 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

DONATIONS

There was none donation made by the Group during the year ended 31 December 2019 (2018: HK$ Nil).

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2019.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for cash distribution and distribution in specie were HK$Nil. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$190,049,000, are distributable in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of revenue and purchases attributable to the major customers and suppliers of the Group were as follows:

(i) The aggregate amount of revenue attributable to the Group's five largest customers represented 90.6% of the total revenue of the Group for the year. The revenue attributable to the Group's largest customer represented 53.5% of the Group's total revenue for the year.

(ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 94.2% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 45.3% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors, their close associates nor any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

The Group entered into 7 finance lease agreements during the year ended 31 December 2019 (2018: 11).

DIRECTORS

During the year ended 31 December 2019, the composition of the Board as at the date of this report is as:

Executive directors

Mr. Ng Hoi
Mr. Huang Jian (appointed on 30 May 2019)
Mr. Liu Xin Chen (appointed on 2 July 2019)
Mr. Chan Chun Man (appointed on 12 July 2019)
Mr. Chan Chung Shu *(Chairman)* (resigned on 2 July 2019)

Non-executive director

Mr. Chong Yu Keung (appointed on 30 May 2019)

Independent non-executive directors

Mr. Ho Man (resigned on 2 July 2019)
Mr. Yeh Tung Ming
Mr. Zhang Hua
Mr. Wong Lap Wai (appointed on 2 July 2019)

In accordance with the Company's bye-laws, Mr. Ng Hoi will retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. Mr. Liu Xin Chen, Mr. Chan Chun Man and Mr. Wong Lap Wai, whose appointment took effect on 2 July 2019, 12 July 2019 and 2 July 2019 respectively, being eligible offering themselves for re-election.

Mr. Zhang Hua, who will retire from office, will not offer himself for re-election at the forthcoming annual general meeting due to his other business commitments which require more of his dedications.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Mr. Ng has entered into a service agreement with the Company commencing from 3 November 2016, which is effective continuously, unless terminated in accordance with the terms of the service agreement. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

Mr. Huang Jian has entered into a service agreement with the Company pursuant to which his initial term of service commences from 30 May 2019 which is effective continuously, unless terminated in accordance with the terms of the service agreement. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

Mr. Liu Xin Chen has entered into a service agreement with the Company pursuant to which his initial term of service commences from 2 July 2019 which is effective continuously, unless terminated in accordance with the terms of the service agreement. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

Mr. Chan Chun Man has entered into a service agreement with the Company pursuant to which his initial term of service commences from 12 July 2019 which is effective continuously, unless terminated in accordance with the terms of the service agreement. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

Mr. Chong Yu Keung has entered into a service contract with the Company pursuant to which his initial term of service is one year commencing from 30 May 2019 and renewable automatically for successive terms of one year thereafter unless terminated with one month's notice in writing served by either party. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

Pursuant to the letter of appointment from the Company to the independent non-executive Director dated 2 July 2019, the appointment of Mr. Wong Lap Wai has initial term of service for one year commencing from 2 July 2019, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company and shall be automatically renew unless both parties agreed in writing.

Mr. Zhang has entered into a service agreement with the Company as an independent non- executive Director commencing from 15 September 2017. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws. Mr. Zhang will retire from office at the forthcoming annual general meeting.

Mr. Yeh Tung Ming has entered into a service agreement with the Company as an independent non-executive Director commencing from 3 November 2016. He is subject to retirement and rotation for at least once every three years and re-election at AGMs in accordance with the Bye-laws.

The Board has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the annual general meeting of the Company each year. The remuneration of the executive Directors is subject to the review of the Company's remuneration committee, and their remuneration is determined with reference to directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, their remuneration is determined by the Board, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

Details of Directors' emoluments during the year are set out in note 13 to the consolidated financial statements.

Save as aforesaid, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in section headed "Connected Transactions" below and note 37 to the consolidated financial statements, no contracts, transactions or arrangements of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2019.

At no time during the year ended 31 December 2019 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011. The total 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 schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. The total number of Shares available for issue under options which may be granted under the Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of the Company ("**Scheme Mandate Limit**") unless approved by the Shareholder. The Scheme Mandate Limit may be refreshed by the Shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of the Company at the date of the approval of the refreshment by the Shareholders of the Company in general meeting. No options may be granted under any scheme of the Company (including the Scheme) if this will result in the said 30% limit being exceeded. No option may be granted to any eligible participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible participant under the Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules. Subject to certain restrictions contained in the Scheme, an option may be exercised in accordance with the terms of the Scheme and the terms of grant thereof at any time during the applicable option period, which shall not be more than 10 years from the date of grant of option. Details of the Share Option Scheme were set out in the prospectus of the Company dated 18 October 2011 and note 38 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of movements in the Company's convertible bonds and share capital during the year are set out in notes 26 and 29 to the consolidated financial statements.

Save as disclosed above and the share option scheme of the Company as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the company and its subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2019, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Triumph Hope Limited (Note 2)	Beneficial owner	501,330,000(L)(S)	51.05
Mr. Chan Chung Shu (Note 2)	Interest in controlled corporation (Note 2)	501,330,000(L)(S)	51.05
Great Wall International Investment XX Limited (Note 2)	Corporation having security interest in shares	501,330,000(L)	51.05

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
China Great Wall AMC (International) Holdings Company Limited (Note 2)	Interest in controlled corporation	501,330,000(L)	51.05
China Great Wall Asset Management Co., Ltd. (Note 2)	Interest in controlled corporation	501,330,000(L)	51.05
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 3)	Beneficial interest	58,800,000(L)	5.99
Mr. Ke Xin Hai	Beneficial owner	57,000,000(L)	5.80
Sun Dianying (Note 4)	Interest in controlled corporation	195,000,000(L)	19.86
Great River Capital Limited (Note 4)	Beneficial owner	195,000,000(L)	19.86

Notes:

(1) The letter "L" denotes a long position in interest in the share capital of the Company while the letter "S" denotes a short position in interest in the share capital of the Company.

(2) Mr. Chan Chung Shu, an executive Director and chairman of the Board until 2 July 2019, is deemed to be interested in 501,330,000 shares of the Company held by Triumph Hope Limited by virtue of it being controlled by him. Triumph Hope Limited acquired a total of 501,210,000 shares of the Company on 25 October 2017. On 17 January 2018, Triumph Hope Limited acquired additional 120,000 shares as a result of the close and being received valid acceptances of 120,000 offer shares under an unconditional mandatory cash offer by Triumph Hope Limited for all the issued shares of the Company.

On 24 April 2018, Triumph Hope Limited had pledged 501,330,000 shares of the Company as security for a term loan facility provided to Triumph Hope Limited by Great Wall International Investment XX Limited which was wholly-owned by China Great Wall AMC (International) Holdings Company Limited which was, in turn, wholly-owned by China Great Wall Asset Management Co., Ltd. 中國長城資產管理股份有限公司.

(3) Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

(4) Great River Capital Limited is wholly owned by Sun Dianying.

Save as disclosed above, as at 31 December 2019, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules as all times up to the date of this report (being the latest practicable date prior to the issue of this report).

SUFFICIENT LEVEL OF OPERATIONS AND ASSETS OF SUFFICIENT VALUE

On 20 December 2019, the Company received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Listing Rule 13.24 (effective from 1 October 2019) to warrant the continued listing of its shares and that, subject to the right of the Company's right of review, trading of the Company's shares be suspended under Rule 6.01(3) (the ''Decision'').

Pursuant to Rule 2B.06(1), the Company has the right to refer the Decision to the Listing Committee (as defined in the Listing Rules) for review.

On 2 January 2020, the Company has requested the Decision to be referred to the Listing Committee for a review by the Listing Committee.

Pending the decision as to whether or not to request for a review of the Decision, trading in the shares of the Company will continue.

As at the date of this report, the Decision is pending for a review by the Listing Committee of The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE

Principal corporate governance practices of the Company and the Group are set out in the Corporate Governance Report of this Annual Report.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year ended 31 December 2019 and up to the date of this annual report, save as disclosed as headed "Management Discussion and Analysis", there is no other significant or important event that affects the business of the Group.

AUDITOR

The financial statement for the year ended 31 December 2018 have been audited by SHINEWING (HK) CPA Limited ("SHINEWING"). SHINEWING resigned as auditor of the Company with effect from 2 August 2019 since SHINEWING cannot reach a consensus with the Company on the audit fee regarding the review of interim for the financial period ended 30 June 2019 and the annual audit for the financial year ending 31 December 2019. World Link CPA Limited ("World Link") was appointed as auditor of the Company to fill the casual vacancy following resignation of SHINEWING with effect on 2 August 2019. On 23 December 2019, World Link resigned as auditor of the Company due to its reorganization under which the audit engagement director and the audit engagement team joining another professional accounting firm. McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") has been appointed as the auditor of the Company with effect from 23 December 2019 to fill the casual vacancy following the resignation of World Link and to hold office until the conclusion of the next annual general meeting.

ON BEHALF OF THE BOARD
Liu Xin Chen
Executive director

Hong Kong
6 May 2020

Corporate Governance Report

The Board and management are committed to achieve high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its transparency and accountability. The Group has adopted the practices that has complied with all the code provisions as set out in Appendix 14 — Corporate Governance Code and Corporate Governance Report ("CG Code") of the Listing Rules. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business. It will review its corporate governance practices regularly to ensure compliance with the CG Code.

BOARD OF DIRECTORS

All Directors are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company's bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the three independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

During the year ended 31 December 2019, the composition of the Board as at the date of this report is as:

Executive directors

Mr. Ng Hoi
Mr. Huang Jian (appointed on 30 May 2019)
Mr. Liu Xin Chen (appointed on 2 July 2019)
Mr. Chan Chun Man (appointed on 12 July 2019)
Mr. Chan Chung Shu *(Chairman)* (resigned on 2 July 2019)

Non-executive director

Mr. Chong Yu Keung (appointed on 30 May 2019)

Independent non-executive directors

Mr. Ho Man (resigned on 2 July 2019)
Mr. Yeh Tung Ming
Mr. Zhang Hua
Mr. Wong Lap Wai (appointed on 2 July 2019)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 2 July 2019, Mr. Chan Chung Shu resigned as the chairman of the Company. The Company has neither a designated chairman nor chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

The Board is responsible for promoting the success of the Group and its business by leading and supervising the Company's affairs. The Board is responsible for determining the Group's objectives, overall strategies and policies, approving business plan, evaluating operating, instilling corporate culture and financial performance. Its role is clearly separated from that of the senior management.

The Board has delegated the day-to-day operation responsibility of the Group to executive Directors and senior management. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Biographical details of and the relationship between the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to the shareholders for re-election, providing sufficient and accurate biographical details of directors to enable the Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill in causal vacancies or as additions to the Board. The Nomination Committee of the Company from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board independent of management. It also identifies and nominates qualified individuals for appointment as new Directors. When considering appointment of new Directors, the Board will take into consideration of criteria such as expertise, experience, integrity and commitment etc..

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The company encourages directors to participate in continuous professional development to develop and refresh their knowledge and skills needed for acting as a director of the company.

According to the training records of the directors for the company, all directors participated in continuous professional development during the year by reading materials or attending seminars on topics relevant to directors' duties and responsibilities.

DIRECTORS' 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 as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2019.

NOMINATION COMMITTEE

The Company established nomination committee of the Company (the "Nomination Committee") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the expertise, experience, integrity and commitment) to complement the Company's corporate objectives and strategies. The terms of reference of the Nomination Committee were posted on the Company's website.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee comprises three independent non-executive directors, namely, Mr. Wong Lap Wai, Mr. Yeh Tung Ming and Mr. Zhang Hua; and is chaired by Mr. Zhang Hua.

During the year, Mr. Ho Man resigned and Mr. Wong Lap Wai was appointed as a member of nomination committee on 2 July 2019 respectively.

During the year ended 31 December 2019, the Nomination Committee had held 3 meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

REMUNERATION COMMITTEE

The Company established remuneration committee of the Company (the "Remuneration Committee") on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group's policies and structure for remuneration of Directors and senior management of the Group; determining the remuneration packages of Directors and senior management of the Group; and reviewing and approving their performance-based remuneration. The terms of reference of the Remuneration Committee were posted on the Company's website.

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Wong Lap Wai, Mr. Yeh Tung Ming and Mr. Zhang Hua; and is chaired by Mr. Yeh Tung Ming.

During the year, Mr. Ho Man resigned and Mr. Wong Lap Wai was appointed as a member of remuneration committee on 2 July 2019 respectively.

During the year ended 31 December 2019, the Remuneration Committee had held 3 meeting and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group.

AUDIT COMMITTEE

The Company established audit committee of the Company (the "Audit Committee") on 11 October 2011 which is primarily responsible for overseeing the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group's audit; reviewing the Group's financial reporting process, adequacy and effectiveness of the Group's internal control system and risk management system. The terms of reference of the Audit Committee which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the HKICPA and were posted on the Company's website.

The Audit Committee comprises three independent non-executive directors, namely, Mr. Wong Lap Wai, Mr. Yeh Tung Ming and Mr. Zhang Hua; and is chaired by Mr. Wong Lap Wai.

During the year, Mr. Ho Man resigned and Mr. Wong Lap Wai was appointed as a chairman of audit committee on 2 July 2019 respectively.

During the year ended 31 December 2019, the Audit Committee had held 4 meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; recommended the appointment of auditor; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

Compliance with the Code on Corporate Governance Practices

The Company had complied throughout the year ended 31 December 2019 with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules, except for the following deviations.

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Mr. Ho Man (being resigned on 2 July 2019), Mr. Yeh Tung Ming and Mr. Zhang Hua, were unable to attend the annual general meeting of the Company held on 27 June 2019.

Code Provision E.1.2 of the CG Code stipulates that chairmen of the audit, remuneration, nomination committees should be available to answer questions at the annual general meeting. Due to conflicting business schedules, Mr. Ho Man (the then chairman of audit committee), Mr. Yeh Tung Ming (the chairman of the remuneration committee) and Mr. Zhang Hua (the chairman of the nomination committee), were unable to attend the annual general meeting of the Company held on 27 June 2019.

ATTENDANCE OF MEETINGS

During the year ended 31 December 2019, 1 annual general meeting, 4 regular Board meetings and other 7 Board meetings were held in addition to circulation of written board resolutions. The composition of the Board and Board committees during the year and up to the date of this report, and its members' attendance record of meetings held in 2019 are shown below:

	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Chan Chung Shu (Resigned)	3/4	N/A	N/A	N/A	1/1
Mr. Ng Hoi	11/11	N/A	N/A	N/A	1/1
Mr. Huang Jian	9/10	N/A	N/A	N/A	0/1
Mr. Liu Xin Chen	6/6	N/A	N/A	N/A	N/A
Mr. Chan Chun Man	5/5	N/A	N/A	N/A	N/A
Non-executive director					
Mr. Chong Yu Keung	9/10	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ho Man (Resigned)	3/4	1/1	1/1	1/1	0/1
Mr. Yeh Tung Ming	10/11	4/4	3/3	3/3	0/1
Mr. Zhang Hua	11/11	4/4	3/3	3/3	0/1
Mr. Wong Lap Wai	6/6	3/3	1/1	1/1	N/A

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2019 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors' responsibilities in the preparation of the financial statements of the Group and the auditor's responsibilities are set out in the independent auditor's report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2019, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2019, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness Of The Risk Management And Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

AUDIT COMMITTEE

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged professional staff with relevant expertise to conduct review and make recommendations for the improvement and strengthening of the internal control system. The professional staff with relevant expertise has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function and professional staff with relevant expertise are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and professional staff with relevant expertise, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

AUDITOR'S REMUNERATION

The fees in relation to the audit and non-audit services provided by (1) SHINEWING, (2) World Link, (3) McMillan Woods, the external auditors, to the Company and its subsidiaries for the year ended 31 December 2019 are analyzed below:

Type of services provided by the external auditors

		Fee HK$'000
(1)	During the year, SHINEWING had provided the following services,	
	Audit	–
	Non-audit service	
	Acted as tax representative of the Group's entities	8
(2)	During the year, World Link had provided the following services,	
	Audit	–
	Non-audit service	
	Review of interim financial information	100
(3)	During the year, McMillan Woods had provided the following services,	
	Audit	700
	Non-audit service	
	Preparation of Environmental, Social and Governance Report for the year ended 31 December	80

HOW SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to the bye laws of the Company, any one or more Shareholder 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 shall at all times have the right, by written requisition to the Board or the secretary of the company by mail to Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail to Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or by email to info@1152.com.hk. The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

During the year ended 31 December 2019, there has been no significant change in the Company's constitutional documents.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the Shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

The Company also maintains a website at www.1152.com.hk to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to Shareholders as well as investors.

1 ABOUT THE REPORT

This Report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Hong Kong office from 1 January 2019 to 31 December 2019 (the "**Period under Review**"), unless otherwise stated.

2 FOREWORD

The Group primarily adopts the principles and basis of the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of (the "**Listing Rule**") of The Stock Exchange of Hong Kong Limited, with an aim to establish a sound environment, social and governance structure.

This report comprises the review of environment, social and governance areas, which sets out the Company and its major subsidiaries' policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Reporting Guide for the year from 1 January 2019 to 31 December 2019 (the "**year**" or "**2019**"). This report is designed to allow the Company's stakeholders, such as shareholders, investors, customers, suppliers, employees, creditors, regulators and the general public to have comprehensive understanding of the long-term sustainability information of the Group. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

3 COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF MATERIAL ISSUES

The Group highly values the staff's opinions and appeals. The Group place reliance on the contributions made by all staff from various departments in compiling the ESG report. Due to their respective endeavour, the Group have deepened its understanding on the Group's accomplishments to-date in the respect of environmental and social issues. The information have brought together should not be merely regarded as an overview of the Group's environmental and social initiatives during the year, they have also subsequently laid a solid groundwork for the Group to formulate strategies for sustainable development in both short-run and long-run period.

Meanwhile, the Group genuinely understands that all stakeholders' interests are closely related to its business development. The Group, therefore, is actively involved in bilateral exchange of views with the stakeholders. Through diversified channels of communication, the Group is adequately informed of the overall expectations and requirements of various stakeholders, so that the management of the Group could take corresponding measures and improve the operating strategies to further enhance the performance in the fields of environmental, social and governance. The Group's stakeholders represent a congregation of diversified sectors of interests, including but not limited to government and regulatory authorities, shareholders, collaborative partners, customers, staff, members of the community and the public at large. The management of the Group engage in an effective communication with each stakeholder through various communication channels, such as emails, phone conversations and face-to-face discussions, among others. In the year, the Group has both learnt and addressed to the stakeholders' expectations, while their views were collected through various channels, including face-to-face conversations, conferences and questionnaires, among others.

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group
(A) Environmental	
A1 Emissions	Emission from town gas, electricity or vehicle
A2 Use of Resources	Use of energy and paper
A3 Environment and Natural Resources	
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Involvement	Community programs, employee volunteering and donation

A. Environmental

The Group is engaged in the provision of financing and leasing services, as well as in trading of nutritional food products. Most of daily and routine operations are taken place within office. The Group strictly complies with all applicable laws and regulations on pollution and environmental protection, including but not limited to the Environmental Protection Law of the People's Republic of China and the Waste Disposal Ordinance of Hong Kong. Due to business nature of the Group, it do not generate a significant amount of air emissions, wastewater, nor any other emissions in the course of the daily operations. The Group's sources of greenhouse gas emissions are attributable to the direct emissions arising from vehicles, plus energy indirect emissions from electricity consumption, as well as other indirect emissions arising from employees' business travels and paper consumption.

In respect of waste treatment, the Group, during its course of operation, produces non-hazardous wastes, mainly categorized as general waste, that are subject to the handling of the property management company; on the other hand, its hazardous wastes are mainly electronic wastes in the office, such as light bulbs, batteries, and inkjet cartridges, among others. In order to ensure proper handling of hazardous wastes, the Group has returned all its collected inkjet cartridges to the suppliers for further handling. As there is only an insignificant amount of hazardous wastes produced during the year by the Hong Kong office, the Group does not make any subsequent relevant disclosure on the issue.

Energy Saving and Emission Reduction

The Group is highly concerned with environmental protection. In the course of business, it adhere to the principles of "reduce", "recycle" and "reuse", and obliged to implement green office practices. The Group nurture the awareness of environmental protection among its staff through promoting water conservation concept. Besides, the business of the Group does not involve any use of packaging materials.

To reduce paper consumption and waste disposal, the Group has encouraged its staff to re-use paper, to adopt double sided printing and copying and to re-use paper printed in single side. The Group have assigned recycling boxes in the office to collect waste paper, posters and envelopes. Meanwhile, The Group encourage its staff to resort to the electronic means of communication, including emails instead of facsimile or physical mails, as well as to adopt the electronic system for record keeping.

As far as energy conservation is concerned, the Group prioritizes to apply office appliances and equipment that incorporate Energy Label, which enable efficient use of energy. The Group also advocate its staff to switch off all electronic appliances and equipment such as computers, idle lighting system and other electronic appliances when the office closes.

On the other hand, vehicles have posed as one of the main sources of greenhouse gas emissions. The Group, therefore, undertake regular inspection and maintenance for vehicles, so as to maintain the vehicles' performance, to ensure that there is no engine-idling, as well as to minimise air emissions and wasted fuel.

A1.1. Emissions Data from Gaseous Fuel Consumption

a) Since the Company did not have town fuel and town gas consumption during the year, therefore no emissions data from gaseous fuel consumption applied.

b) The Company has motor vehicles during the year, the emissions data from vehicle applied are set out below:

	KPI		
	2019	**Unit**	**%**
NOx	**52,996**	Kg	91%
SOx	**66**	Kg	1%
PM	**4,934**	Kg	8%
Total	**57,996**	**Kg**	**100%**

A1.2. Greenhouse Gas Emission

	KPI		
	2019	**Unit**	**%**
Scope 1			
Direct Emission	12,125	Kg	43%
Scope 2			
Indirect Emission	15,758	Kg	57%
Scope 3			
Other indirect Emission	–	Kg	–
Total	**27,883**	**Kg**	**100%**

During the year, there is 27,883 kg of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation.

Total floor area coverage for the Group was 744.53 m^2 in 2019. The annual emission intensity was 37.5 $KgCO_2e/m^2$.

Compliance with relevant laws and regulations:
The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group during the year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the year.

A1.3 Non-hazardous Waste

The Group did not generates significant hazardous waste in its operation. Non-hazardous waste from use of electricity of the Group's operation but the management of the Group believed that is insignificant waste.

A2.1 Use of resource

The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiatives designed to conserve resources were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

For the Hong Kong office operation, the Group has been encouraging employees to establish energy-saving habits in the office, such as switching off lights and electronic appliances before leaving the office, as well as setting indoor temperature at 25.5℃.

The energy consumed is mainly from purchase of electricity. The total electricity consumed are set out below:

	KPI 2019	Unit
Electricity consumed	**19,947**	kWh
Petrol	**4,500**	L
Total floor are of facilities	**744.53**	m^2
Electricity consumed per square meter	**26.79**	kWh/m^2
Petrol consumed per square meter	**6**	L/m^2

A3 Environmental and Natural Resources

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials and also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There were no non-compliance cases noted in relation to environmental laws and regulations during the year.

B. Social

Being a responsible business and employer, the Group are committed to consistently looking for ways to meet the corporate social responsibilities. The Group focus on its staff, environment and community as well as its business partners.

B1. Employment and Labour Practices

Employees are the most valuable asset of the Group and crucial part of its business growth. The Group respects every employee and strives to establish an inclusive workplace. As stated clearly in its "Staff Manual" and "Corporate Social Responsibility Policy", the Group is committed to providing equal opportunities in recruitment and promotion, regardless of age, gender, race, skin colour, religion, nationality, marital status, disability or sexual orientation. The Group makes every effort to ensure that there is no harassment, including sexual harassment, in the workplace.

The primary business of the Group is provision of financial printer services, the management believes that hiring and retaining qualified employees is a key to its success. The Group regularly reviews the remuneration policy to ensure its market competitiveness. The Group also carries out staff evaluations to assess performance of all employees on annual basis. Employees are recognized and rewarded according to their individual performance, working experience, respective responsibilities, merit, qualifications, competence and time commitments

Staff Composition

As at 31 December 2019, the Group employed a total of 17 (2018: 12) staff, including operational office, sales and marketing, and back office division. All staff members are allocated in Hong Kong and Mainland China.

a) Employee' s Age and Gender Distribution

	2019		2018	
Age Group	**Male**	**Female**	Male	Female
0–15	**6%**	**0%**	8%	8%
16–60	**24%**	**12%**	33%	17%
= 61/>61	**35%**	**24%**	25%	8%
Total	**65%**	**35%**	67%	33%

The Group will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the year. In addition, no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions had been reported during the year.

B2 Employee Health and Safety

The Group strictly complies with the relevant laws and regulations in relation to occupational safety in the localities of its operation, including but not limited to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance of Hong Kong. It source for labour insurance for its staff. To safeguard for employees' health and safety, all staff keep their working spaces clean, along with adequate lighting and ventilation at all times. The Group also ensure that the proper fire service equipment and first aid kits are in place. Take the Hong Kong office as an example, the Group distribute the relevant materials related to occupational safety and health to staff, so as to enhance employees' awareness on occupational safety and health.

The outbreak of the novel coronavirus (2019-nCoV) in Wuhan, has become the latest challenge for the health authorities in Hong Kong and Mainland China, the Group has several policy to protect its staff:

— All public area would be performed disinfection on timely basis;

— Provide mask and disinfection supplies to all staff;

— Request all staff to perform body temperature test everyday;

— Request each staff to report their health status everyday; and

— Request each Department Head to monitor the health status of its staff on timely basis.

Occupational Health and Safety Data
The information of work accidence are set out below:

Health and Safety	2019 Male	2019 Female	2018 Male	2018 Female
Number of work-related fatalities	**0%**	**0%**	0%	0%
Lost days due to work injury	**0%**	**0%**	0%	0%

During the year, the Group has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

B3 Development and Training

The Group has committed to provide on-the-job education and training to its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise. During the year, regular training courses were provided to the employees included but not limited to orientation training, technical training and quality training.

Performance evaluations are initiated each year. Recognising the value in the skill and experience of its staff, the Group has adopted a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates.

B4 Labour Standard

The Group fully understand that the exploitation of child and forced labour are universally prohibited, and therefore take the responsibility against child and forced labour very seriously. The Group strictly comply with all laws and regulations against child labour and forced labour.

The Group strictly observes the laws and regulations in relation to employment in the localities of its operation, including but not limited to the Labour Law of the People's Republic of China and the Employment Ordinance of Hong Kong, so as to ascertain that reasonable remuneration and benefits are provided for all staff, while the employment principle is based on the protection of labours' rights. To correspond with the Group's development in the industry, the Group duly arrange for recruitment to source for suitable candidates in accordance with the distinctive requirements of each specific position. During the recruitment process, the management screen of candidates based on the criterion in line with the requirements of the positions concerned, such as academic qualifications, working experience and individual capability, while the Group does not discriminate against any candidates on the grounds of variations in gender, age, race, religion or disability so as to provide equal chances for interviews for all suitable applicants. On concluding an employment contract with employees, the management will scrutinize carefully the relevant identification document of employees to ensure no mistaken employment of child labour. Prior to the official appointment of each staff, it provide a concrete description of the predestinated position, with clear specifications on the job duties, hierarchical scale and working hours, to prevent forced labour. With regard to resigned employees, a face-to-face interview in relation to the resignation would be arranged in order to look into the reasons of the off-boarding. The Group will comply with the requirements of the relevant laws and regulations, to make timely payment for the outstanding wages.

Benefits and Development

The Group is firmly convinced that effective communication is significant to promote employer-employee relationship. The Group, therefore, highly value the communication with its staff. All department heads will contact staff from time to time for view exchange. Should any staff encounter any difficulties or problems in carrying out their duties, they may reflect views and seek assistance from their respective department heads. The Group also, from time to time, organizes recreational activities, so as to facilitate employees' work-life balance, physical and mental wellbeing, along with strengthened bonding and team-spirit among members. During the year, the Group distributed festive presents and hosted for festive luncheons for its Hong Kong staff.

During the year, the Group has had no non-compliance cases regarding violation of relevant child labour and forced labour laws.

B5 Supply Chain Management

The Group's suppliers mainly provide office supplies. The Group compile a required material list in line with its internal requirement, along with stock-taking so as to refrain from wasting resources. When selecting suppliers, the management screen of based on the quality of products provided by suppliers. The Group give preference to those suppliers in nearby regions, so as to reduce the distance of products delivery, as well as to minimize the carbon footprints produced during the transportation.

B6 Product Responsibility

The Group is committed to providing quality services. In the course of its business, the Group strictly comply with the industry related laws and regulations in the localities of its operation at all times, including but not limited to the Anti-Unfair Competition Law of the People's Republic of China and the Copyright Ordinance of Hong Kong. The Group has put in place a complaint mechanism, accordingly to which a predestinated mailbox is maintained within the company website, particularly for the purpose of handling customers' inquiries and complaints.

Moreover, as the Group understands the significance of protecting customers' information, it has formulated a mechanism on information confidentiality. No documents should be taken away from its office by any staff, without the prior consent from the department heads. In the employment contract, the Group have stipulated that all staff are not allowed to disclose any confidential information in relation to either the Group or its customers to a third party. Meanwhile, it is committed to intellectual property protection by using licensed computer software.

B7 Anti-corruption

Pursuant to the relevant laws and regulations related to bribery prevention in the localities of the Group's operation, including but not limited to the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. All staff are not allowed to solicit or accept any interests in relation to their duties, including money, gifts, rewards, services or privileges. Should conflict of interests incurred as the staff carry out their obligations or accept any gifts from the Group's customers, suppliers, or any other parties that are related to its business dealings, the respective staff should declare the conflict of interests to us, so as to prevent corruption and avoid any unnecessary misunderstanding.

In the year, there is no legal case concerning corruption brought against the Group or employees.

B8 Community Involvement

Along with the endeavour to promote business, the Group is also dedicated to social welfare and giving back to society. During the Period under Review, the Group has continued to participate actively in community welfare activities, including Community Chest.

McMillanWoods
Professionalism at the forefront

Independent auditor's report to the shareholders of Momentum Financial Holdings Limited

(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Momentum Financial Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 50 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019, 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 (the "**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 Auditors' 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.

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. We have determined (i) impairment of finance lease receivables; and (ii) impairment of trade receivables 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 of finance lease receivables

Refer to significant accounting policies in note 4, critical judgement and estimates in note 5 and its relevant disclosures in note 19 to the financial statements.

The Group's finance lease receivables were secured by the leased assets and customers' deposits. Apart from assessing impairment whenever there is an indicator suggesting the recoverability of the finance lease receivables may be in doubt, the Group adopts the forward-looking expected credit loss ("**ECL**") model in accordance with HKFRS 9 to recognise allowance for its finance lease receivables.

The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as probability of default and forward looking information.

Due to the significance of finance lease receivables to the Group's consolidated financial statements (representing approximately 23% of the Group's total assets) and the impairment assessment of finance lease receivables under the ECL model involved the use of significant management judgements and estimates, we considered this as a key audit matter.

Our procedures were designed to review management's assessment on the ECL model on finance lease receivables.

— Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and ECL estimation.

— Assessing the application of the Group's policy in calculating the ECL.

— Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

— Selecting samples for the circularisation of debtor confirmations

— Inspecting settlements after the financial year end relating to finance lease receivables as at 31 December 2019.

— Reviewing the appropriateness of disclosure made in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of trade receivables

Refer to significant accounting policies in note 4, critical judgement and estimates in note 5 and its relevant disclosures in note 20 to the financial statements.

In practice, the Group would grant credit terms to its customers of cross-border trading of nutrition food and health care products ranged between 0 to 30 days. The Group would perform periodic assessment on the impairment as well as recoverability of trade receivables by basing on information including credit risk characteristics of each customers, historical ageing and settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, on-going trading relationships with the relevant customers and forward-looking information that may impact its customers' ability to repay the outstanding trade receivables in order to estimate the ECL for the impairment assessment.

Due to the significance of trade receivables to the Group's consolidated financial statements (representing approximately 44% of the Group's total assets) and the impairment assessment of trade receivables under the ECL model involved the use of significant management judgements and estimates, we considered this as a key audit matter.

Our audit procedures in relation to the recoverability assessment of trade receivables included:

— Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and estimate of ECL;

— Assessing the reasonableness of the Group's ECL models by examining the model inputs used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances;

— Selecting samples for the circularisation of debtor confirmations

— Inspecting settlements after the financial year end relating to the trade receivables as at 31 December 2019; and

— Reviewing the appropriateness of disclosure made in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than 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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 scepticism 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 of the Company.

- Conclude on the appropriateness of the Company's 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.

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

We communicate with the Audit Committee 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.

We also provide the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633

Hong Kong, 6 May 2020
3/F., Winbase Centre,
208 Queen's Road Central,
Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Revenue	8	**299,525**	137,647
Cost of sales		**(281,665)**	(130,451)
Gross profit		**17,860**	7,196
Other operating income	9	**798**	911
Loss on disposals of subsidiaries		**(931)**	–
Change in fair value of financial asset at fair value through profit or loss ("**FVTPL**")		**(159)**	(479)
Administrative and other expenses		**(27,592)**	(21,805)
Selling and distribution expenses		**(1,450)**	(467)
Loss from operation		**(11,474)**	(14,644)
Finance costs	10	**(8,578)**	(6,878)
Loss before tax	11	**(20,052)**	(21,522)
Income tax credit/(expense)	12	**1,354**	(486)
Loss for the year attributable to the owners of the Company		**(18,698)**	(22,008)
Other comprehensive income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Release of exchange reserve upon disposals of subsidiaries		**1,550**	–
Exchange differences on translating foreign operations		**(1,379)**	(3,473)
		171	(3,473)
Total comprehensive loss for the year attributable to the owners of the Company		**(18,527)**	(25,481)
Loss per share (HK cents)			
Basic	15	**(1.90)**	(2.24)
Diluted	15	**(1.90)**	(2.24)

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**8,733**	11,136
Right-of-use assets	17	**2,445**	–
Interest in a joint venture	18	**–**	–
Finance lease receivables	19	**35,545**	43,181
		46,723	54,317
Current assets			
Trade and other receivables	20	**139,533**	18,930
Finance lease receivables	19	**21,520**	13,739
Financial assets at FVTPL	21	**217**	376
Tax recoverables		**1,260**	844
Bank balances and cash	22	**43,915**	72,305
		206,445	106,194
Current liabilities			
Trade and other payables	23	**87,300**	14,502
Loan from the ultimate holding company	24	**50,000**	65,000
Lease liabilities	25	**4,413**	–
Obligation under finance lease	25	**–**	278
Tax payables		**463**	1,176
		142,176	80,956
Net current assets		**64,269**	25,238
Total assets less current liabilities		**110,992**	79,555

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Other payables	23	**3,685**	2,215
Lease liabilities	25	**1,586**	–
Obligation under finance lease	25	**–**	930
Convertible bonds	26	**34,239**	–
Promissory notes	27	**10,167**	–
Corporate bonds	28	**9,129**	8,908
		58,806	12,053
NET ASSETS		**52,186**	67,502
Capital and reserves			
Share capital	29	**4,910**	4,910
Reserves	31	**47,276**	62,592
TOTAL EQUITY		**52,186**	67,502

Approved and authorised for issue by the Board of Directors on 6 May 2020.

Liu Xin Chen
Director

Huang Jian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Share premium (note 31(c)(i))	Equity component of convertible bonds (note 31 (c)(ii))	Other reserve (note 31(c)(iii))	Foreign currency translation reserve (note 31(c)(iv))	Accumulated losses	Total reserves	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	4,910	190,049	–	9,943	(7,412)	(104,507)	88,073	92,983
Total comprehensive loss for the year	–	–	–	–	(3,473)	(22,008)	(25,481)	(25,481)
At 31 December 2018 and 1 January 2019	4,910	190,049	–	9,943	(10,885)	(126,515)	62,592	67,502
Effect on initial application of HKFRS 16 (note 3)	–	–	–	–	–	(3,429)	(3,429)	(3,429)
At 31 January 2019 (restated)	**4,910**	**190,049**	**–**	**9,943**	**(10,885)**	**(129,944)**	**59,163**	**64,073**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**171**	**(18,698)**	**(18,527)**	**(18,527)**
Issue of convertible bonds (note 26)	**–**	**–**	**6,640**	**–**	**–**	**–**	**6,640**	**6,640**
Disposals of subsidiaries	**–**	**–**	**–**	**(9,943)**	**–**	**9,943**	**–**	**–**
Changes in equity for the year	**–**	**–**	**6,640**	**(9,943)**	**171**	**(8,755)**	**(11,887)**	**(11,887)**
At 31 December 2019	**4,910**	**190,049**	**6,640**	**–**	**(10,714)**	**(138,699)**	**47,276**	**52,186**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(20,052)**	(21,522)
Adjustments for:			
Bank interest income		**(55)**	(180)
Depreciation of property, plant and equipment		**1,113**	1,929
Depreciation of right-of-use assets		**2,718**	–
Change in fair value of financial asset at FVTPL		**159**	479
Allowance for trade receivables		**1,136**	–
Allowance for other receivables		**–**	701
Allowance for trade deposits		**415**	–
Allowance for finance lease receivables		**596**	–
Impairment of right-of-use assets		**1,904**	–
Gain on disposals of subsidiaries		**931**	–
Written off of property, plant and equipment		**–**	5
Loss on disposals of right-of-use-assets		**95**	–
Finance costs		**8,578**	6,878
Operating loss before working capital changes		**(2,462)**	(11,710)
Increase in trade and other receivables		**(122,482)**	(9,328)
Increase in finance lease receivables		**(1,809)**	(15,834)
Decrease in inventories		**–**	7,086
Decrease in trade and other payables		**70,481**	12,022
Decrease in contract liabilities		**–**	(2,062)
Cash used in operations		**(56,272)**	(19,826)
PRC Enterprise Income Tax ("**EIT**") refunded		**1,590**	–
Hong Kong Profits tax paid		**(737)**	(184)
Interest on lease liabilities		**(396)**	–
Net cash used in operating activities		**(55,815)**	(20,010)

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of right-of-use assets		**1,390**	–
Bank interest received		**55**	180
Purchases of property, plant and equipment		**(354)**	(542)
Net cash effect on disposals of subsidiaries	33(a)	**(26)**	–
Net cash from/(used in) investing activities		**1,065**	(362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(1,533)**	(6,335)
Proceeds from issue of promissory notes		**10,000**	–
Proceeds from issue of convertible bonds		**39,000**	–
Loan from the ultimate holding company raised		**–**	65,000
Repayment of other borrowings		**–**	(50,000)
Repayment of obligation under finance lease		**–**	(610)
Principal elements of lease payments		**(5,672)**	–
Repayment of loan from the ultimate holding company		**(15,000)**	–
Net cash from financing activities		**26,795**	8,055
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27,955)**	(12,317)
Effect of foreign exchange rate changes		**(435)**	(2,686)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**72,305**	87,308
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**43,915**	72,305
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	22	**43,915**	72,305

1. GENERAL INFORMATION

Momentum Financial Holdings Limited (the "**Company**") is incorporated in Bermuda 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**"). In the opinion of the directors of the Company, its parent and ultimate parent is Triumph Hope Limited (incorporated in the British Virgin Islands) and its ultimate controlling party is Mr. Chan Chung Shu. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the consolidation financial statements.

The functional currency of the Company is Renminbi ("**RMB**"). These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the directors of the Company consider that HK$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on Main Board of the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Application of new and revised IFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(a) New definition of a lease (Continued)

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Application of new and revised IFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(b) Lessee accounting and transitional impact (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 as disclosed in note 34 to the consolidated financial statements to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments as at 31 December 2018 as disclosed in note 34 to the consolidated financial statements	6,243
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and leases of low-value assets	(2,619)
	3,624
Less: total future interest expenses	(195)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	3,429
Add: finance lease liabilities recognised as at 31 December 2018	1,208
Lease liabilities recognised as at 1 January 2019	4,637
Of which:	
Current lease liabilities	2,173
Non-current lease liabilities	2,464
	4,637

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Application of new and revised IFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(b) Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effect of adoption of HKFRS 16				
	note	Carrying amount as at 31 December 2018 HK$'000	Reclassification HK$'000	Recognition of leases HK$'000	Impairment leases recognised on right-of-use assets HK'000	Carrying amounts as at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:						
Assets						
Property, plant and equipment	(i)	11,136	(1,485)	–	–	9,651
Right-of-use assets		–	1,485	3,401	(3,401)	1,485
Liabilities						
Lease liabilities		–	1,208	3,429	–	4,637
Obligation under finance lease	(ii)	1,208	(1,208)	–	–	–
Equity						
Accumulated losses		126,515	–	28	3,401	129,944

Note:

(i) In relation to assets previously under finance lease, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to HK$1,485,000 as right-of-use assets.

(ii) The Group reclassified two obligation under finance lease of HK$278,000 and HK$930,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Application of new and revised IFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 33(c)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	**(11,474)**	**4,622**	**(4,808)**	**(11,660)**	(14,644)
Finance costs	**(8,578)**	**396**	**(52)**	**(8,234)**	(6,878)
Loss before tax	**(20,052)**	**5,018**	**(4,808)**	**(19,842)**	(21,522)
Loss for the year	**(18,698)**	**5,018**	**(4,808)**	**(18,488)**	(22,008)

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Application of new and revised IFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

(c) Impact of the financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 and 2) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(56,272)	(4,808)	(61,080)	(19,826)
Interest element of lease rentals paid	(396)	344	52	–
Net cash used in operating activities	(55,815)	(4,808)	(60,623)	(20,010)
Capital element of lease rentals paid	(5,672)	4,464	(1,208)	(610)
Net cash used in financing activities	26,795	4,464	31,259	8,055

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention unless mentioned otherwise in the accounting policies below (e.g. financial assets at FVTPL).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

A summary of the significant accounting policies applied in the preparation of these financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

All intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Joint arrangements (Continued)

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual value over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

	Depreciation rate
Leasehold land and buildings	Over the shorter of term of the lease or 50 years
Office equipment	20%
Furniture and fixtures	10–20%
Leasehold improvement	Over the shorter of term of the lease or 50 years
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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. The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the year in which the item is derecognised.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as lessee *(Continued)*

Policy applicable from 1 January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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.

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.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as lessee *(Continued)*

Policy applicable from 1 January 2019 (Continued)

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at "**FVTPL**") are added to or deducted from 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 Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets

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 marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— Fair value through other comprehensive income — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks 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.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Convertible bonds

Convertible bonds which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

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

(n) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the cross-border trading of nutrition food and health care products is recognised when control of the goods has transferred, being when the goods have been shipped to the buyer's specific location (delivery). Following delivery, the buyer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the buyer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from provision of finance leasing service is recognised using the effective interest rate implicit in the lease over the term of the lease.

Revenue from provision of consultancy service is recognised in accordance with the terms of the underlying agreement when the relevant act has been completed.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 arising on investments in subsidiaries, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(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) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and finance lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and finance lease receivables. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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

- 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 for a particular financial instrument;
- 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;
- significant increases in credit risk on other financial instruments of the same debtor;
- 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor 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 financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor 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. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of financial assets *(Continued)*

Write-off policy *(Continued)*

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The following is the key assumption 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.

(a) Impairment of trade and other receivables and finance lease receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and other receivables and finance lease receivables based on the credit risk associated with respective receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of trade and other receivables is approximately HK$139,533,000 (2018: HK$18,930,000), net of accumulated impairment losses of approximately HK$2,647,000 (2018: HK$1,096,000).

As at 31 December 2019, the carrying amount of finance lease receivables is approximately HK$57,065,000 (2018: HK$56,920,000). Net of accumulated impairment losses of approximately HK$589,000 (2018: Nil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) 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: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) 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 (iii) 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.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2019 were approximately HK$8,733,000 (2018: HK$11,136,000) and HK$2,445,000 (2018: Nil) respectively.

(c) Income taxes

The Group is subject to Hong Kong Profits Tax and Enterprises Income Tax ("**EIT**") in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax of approximately HK$1,354,000 (2018: HK$486,000) was credited (2018: charged) to profit or loss based on the estimated assessable profits.

6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include finance lease receivables, trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, loan from the ultimate holding company, other borrowings, lease liabilities (2018: obligation under finance lease), promissory notes, convertible bonds and corporate bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk

Currency risk

The Group undertakes certain transactions denominated in currencies other than the functional currencies of the respective Group's entities, which expose the Group to foreign exchange rate fluctuation. The Group has certain bank balances and cash denominated in HK$/US$/RMB which are not the functional currencies of the relevant Group entities. In addition, the Group has trade and other payables, loan from the ultimate holding company and corporate bonds, convertible bonds and promissory notes denominated in HK$ which is not the functional currency of the relevant Group entity and in aggregate account for approximately 56% (2018: 83%) of the Group's total liabilities. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$ and HK$ against RMB.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**2,339**	5,806	**112,991**	77,008
US$	**54**	80	**–**	–
RMB	**114**	116	**–**	–

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the respective reporting entity's functional currency against the relevant foreign currencies. 5% 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 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the borrower. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2018.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis (Continued)

	HK$		US$		RMB	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Impact on post-tax loss for the year	**4,661**	2,973	**(2)**	(3)	**(5)**	(5)

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to finance lease receivables, convertible bonds, promissory notes, corporate bonds, loan from the ultimate holding company and lease liabilities. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's variable-rate bank balances are short-term in nature and the exposure of the cash flow interest rate risk is minimal.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of the reporting period, its income and operating cash flows are substantially independent of change in market interest rate.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instrument had been 5% (2018: 5%) higher/lower, the post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$9,000 (2018: HK$16,000) as a result of the changes in fair value of the financial asset at FVTPL.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade and finance lease receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Company considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivable are due within 60 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivable at an amount equal to lifetime ECL, 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 following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	2019		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0–2.5%	45,663	162
1–30 days past due	0–2.5%	26,705	–
31–60 days past due	0–2.5%	–	–
More than 60 days past due	0–13.0%	39,224	974
		111,592	1,136

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movements in the loss allowance for trade receivables during the year are as follows:

	2019 HK$'000
At 1 January	–
Impairment losses recognised for the year	1,136
At 31 December	1,136

Finance lease receivables

All the finance lease receivables were secured by the leased assets and customers' deposits. There was no recent history of default of debtor and finance lease receivables are settled in accordance to the payment schedules.

The Group has concentration of credit risk of finance lease receivables, as 35% (2018: 48%) and 59% (2018: 76%) of the finance lease receivables as 31 December 2019 was due from the Group's largest lessee and the five largest lessees respectively.

The Group measures loss allowances for finance lease receivable at an amount equal to lifetime ECL, 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.

	2019 HK$'000
At 1 January	–
Impairment losses recognised for the year	589
At 31 December	589

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flow is as follows:

At 31 December 2019	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	86,607	2,080	1,605	90,292	90,292
Lease liabilities	4,608	1,611	–	6,219	5,999
Loan from the ultimate holding company	50,000	–	–	50,000	50,000
Corporate bonds	700	700	11,050	12,450	9,129
Convertible bonds	–	–	44,850	44,850	34,239
Promissory notes	–	10,600	–	10,600	10,167
	141,915	14,991	57,505	214,411	199,826

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

At 31 December 2018	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	15,814	–	–	15,814	15,814
Obligation under finance lease	320	320	666	1,306	1,208
Loan from the ultimate holding company	66,912	–	–	66,912	65,000
Corporate bonds	–	700	11,750	12,450	8,908
	83,046	1,020	12,416	96,482	90,930

(d) Categories of financial instruments at 31 December

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at FVTPL	**217**	376
Financial assets at amortised cost	**239,943**	147,282
	240,160	147,658
Financial liabilities:		
Financial liabilities at amortised cost	**199,826**	90,930

(e) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values measurements

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December:

Financial instruments	Fair value measurements using: Fair value as at 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Financial asset at FVTPL — listed equity securities	**217**	376	Level 1	Quoted price in an active market

7. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Operating segment information

The Group is engaged in the (i) provision of finance leasing and consultancy services in finance leasing business (earning interest income, handling fee and consultancy fee) and purchasing of leased assets; and (ii) cross-border trading business of nutrition food and health care products.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Provision of finance leasing and consultancy services		Cross-border trading business of nutrition food and health care products		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Years ended 31 December						
Revenue from external customers	**5,233**	4,160	**294,292**	133,487	**299,525**	137,647
Segment profit/(loss)	**(354)**	1,158	**11,787**	2,637	**11,433**	3,795
Unallocated other operating income					**60**	180
Loss on disposals of subsidiaries					**(931)**	–
Change in fair value of financial asset at FVTPL					**(159)**	(479)
Unallocated expenses					**(21,877)**	(18,140)
Finance costs					**(8,578)**	(6,878)
Loss before taxation					**(20,052)**	(21,522)

7. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2019 **HK$'000**	2018 HK$'000
Segment assets		
Cross-border trading business of nutrition food and health care products	**134,237**	15,480
Finance leasing and consultancy services business	**59,298**	67,130
Unallocated corporate assets	**59,633**	77,901
Total assets	**253,168**	160,511

	2019 **HK$'000**	2018 HK$'000
Segment liabilities		
Cross-border trading business of nutrition food and health care products	**81,061**	5,171
Finance leasing and consultancy services business	**3,689**	7,160
Unallocated corporate liabilities	**116,232**	80,678
Total liabilities	**200,982**	93,009

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial asset at FVTPL and other assets for corporate use including certain property, plant and equipment, right-of-use assets, tax recoverables, bank balances and cash and other receivables which were managed in a centralised manner.

- all liabilities are allocated to operating segments other than certain other payables, loan from the ultimate holding company, convertible bonds, promissory notes, corporate bonds, lease liabilities (2018: obligation under finance lease) and income tax payables which were managed in a centralised manner.

7. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "**PRC**").

Information about the Group's revenue from external customers is presented based on the location of the operations is detailed below:

	For the year ended 2019			For the year ended 2018		
	Revenue from contract with customers HK$'000	**From other sources HK$'000**	**Total HK$'000**	Revenue from contract with customers HK$'000	From other sources HK$'000	Total HK$'000
The PRC	**4,182**	**5,233**	**9,415**	3,130	1,030	4,160
Hong Kong	**290,110**	**–**	**290,110**	133,487	–	133,487
	294,292	**5,233**	**299,525**	136,617	1,030	137,647

The Group's information about its non-current assets based on the geographical location of the assets is detailed below:

	Non-current assets	
	2019 HK$'000	2018 HK$'000
The PRC	**10,677**	8,927
Hong Kong	**501**	2,209
	11,178	11,136

Note: Non-current assets excluded finance lease receivables.

7. SEGMENT INFORMATION (Continued)

(d) Information about major customers

Revenue from the customers contributing over 10% of the total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A (note (i))	**160,268**	N/A
Customer B (note (i))	**46,899**	N/A
Customer C (note (i))	**35,695**	N/A
Customer D (note (ii))	**N/A**	77,552
Customer E (note (ii))	**N/A**	55,935

(i) These customers did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2018.

(ii) These customers did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

8. REVENUE

Revenue represents income arising on provision of finance leasing and consultancy services, cross-border trading of nutrition food and health care products for the year. An analysis of the Group's revenue for the year is as follows:

Revenue from contract with customers within the scope of HKFRS 15 for the year ended 31 December

	2019 HK$'000	2018 HK$'000
Disaggregated by major products or service line		
— Cross-border trading of nutrition food and health care products	**294,292**	133,487
— Consultancy service income	**–**	3,130
	294,292	136,617
Revenue from other sources		
— Interest income from provision of finance leasing service	**5,233**	1,030
	299,525	137,647

Disaggregation of revenue by timing of recognition

	2019 HK$'000	2018 HK$'000
Timing of revenue recognition		
— At a point in time	**294,292**	133,487
— Over time	**–**	3,130
Total revenue from contract with customers	**294,292**	136,617

9. OTHER OPERATING INCOME

	2019 HK$'000	2018 HK$'000
Finance lease handling income	**592**	535
Finance lease penalty income	**8**	196
Bank interest income	**55**	180
Others	**143**	–
	798	911

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
— other borrowing	**–**	1,667
— loan from the ultimate holding company	**5,215**	4,263
Effective interest expenses on:		
— promissory notes (note 27)	**167**	–
— lease liabilities (2018: obligation under finance lease)	**396**	48
— convertible bonds (note 26)	**1,879**	–
— corporate bonds (note 28)	**921**	900
	8,578	6,878

11. LOSS BEFORE TAX

Loss for the year has been arrived at after charging:

	2019 **HK$'000**	2018 HK$'000
Directors' emoluments (note 13(a))	**2,425**	2,402
Salaries and other allowances (excluding directors' emoluments)	**6,990**	5,639
Retirement benefit scheme contributions (excluding directors' emoluments)	**508**	332
Total staff costs	**9,923**	8,373
Auditor's remuneration	**700**	800
Amount of inventories recognised as an expense	**281,665**	103,451
Depreciation of property, plant and equipment	**1,113**	1,929
Depreciation on right-of-use assets	**2,718**	–
Write off of property, plant and equipment	**–**	5
Loss on disposals of right-of-use assets	**95**	–
Exchange loss, net	**199**	118
Allowance for trade receivables	**1,136**	–
Allowance for finance lease receivables	**596**	–
Allowance for trade deposits	**415**	–
Allowance of other receivables	**–**	701
Impairment on right-of-use assets	**1,904**	–
Minimum lease payments in respect of operating lease for rented premises	**–**	5,197

12. INCOME TAX (CREDIT)/EXPENSE

	2019 **HK$'000**	2018 HK$'000
Current tax		
Hong Kong Profits Tax		
— Provision for the year	**36**	198
PRC EIT		
— Provision for the year	**51**	288
— Over provision in prior years	**(1,441)**	–
	(1,390)	288
	(1,354)	486

(i) The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2018: 16.5%) during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Following the Bill enacted, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2019.

(ii) Under the Law of the PRC EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The tax charge 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:

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(20,052)**	(21,522)
Tax at domestic tax rate of 16.5%	**(3,308)**	(3,546)
Tax effect of expense not deductible for tax purposes	**4,698**	3,293
Tax effect of income not taxable for tax purposes	**(3,973)**	(240)
Tax effect of temporary differences not recognised	**72**	–
Tax effect of tax losses not recognised	**2,725**	1,335
Effect of different tax rates of subsidiaries	**(90)**	–
Over-provision in prior years	**(1,441)**	–
Effect of two-tiered profits tax rates regime	**(37)**	(165)
Income tax on concessionary rate	**–**	(191)
Income tax (credit)/expenses for the year	**(1,354)**	486

At the end of the reporting period, the Group has unused tax losses of approximately HK$53,500,000 (2018: HK$36,984,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$18,355,000 (2018: HK$16,458,000) that will expire after five years from the year of assessment to which they relate. Other losses may be carried forward indefinitely.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

For the year ended 31 December 2019

Emoluments paid or payable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Chan Chung Shu (resigned on 2 July 2019)	–	395	9	404
Mr. Ng Hoi	–	720	18	738
Mr. Huang Jian (appointed on 30 May 2019)	–	142	6	148
Mr. Huang Ze Wu (appointed on 6 October 2019 and resigned on 25 July 2019)	–	46	–	46
Mr. Liu Xin Chen (appointed on 2 July 2019)	–	179	–	179
Chan Chun Man (appointed on 12 July 2019)	–	170	–	170
Non-executive director				
Mr. Chong Yu Keung (appointed on 30 May 2019)	148	–	–	148
Independent non-executive directors				
Mr. Ho Man (resigned on 2 July 2019)	102	–	–	102
Mr. Yeh Tung Min	200	–	–	200
Mr. Zhang Hua	200	–	–	200
Mr. Wong Lap Wai (appointed on 2 July 2019)	90	–	–	90
	740	1,652	33	2,425

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2018

Emoluments paid or payable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Chan Chung Shu				
(appointed on 22 January 2018)	–	851	15	866
Mr. Ng Hoi	–	792	18	810
Mr. Yu Xueming (resigned on 22 January 2018)	–	33	2	35
Mr. Yu Chuanfu (resigned on 22 January 2018)	–	44	2	46
Mr. Zheng Qiang (resigned on 22 January 2018)	–	43	2	45
Independent non-executive directors				
Mr. Ho Man	200	–	–	200
Mr. Yeh Tung Min	200	–	–	200
Mr. Zhang Hua	200	–	–	200
	600	1,763	39	2,402

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors and the chief executive of the Company for the year ended 31 December 2019 whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other allowances	**3,424**	2,258
Performance related incentive payments	**–**	364
Retirement benefit scheme contributions	**27**	53
	3,451	2,675

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Employees' emoluments *(Continued)*

The emoluments of the remaining three (2018: three) individual were within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
	3	3

During the years ended 31 December 2019 and 2018, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as a compensation for loss of office.

(c) Senior management's emoluments

Senior management represents the executive directors. The emoluments paid or payable to senior management during the year have been set out in the analysis presented above.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year of at any time during the year.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

15. 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:

	2019 **HK$'000**	2018 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(18,698)**	(22,008)

	2019 **'000**	2018 '000
Number of shares		
Weighted average number ordinary shares for the purpose of basic and diluted loss per share	**982,000**	982,000

Diluted loss per share was the same as the basic loss per share for the year ended 31 December 2019 as the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

Diluted loss per share was the same as the basic loss per share for the year ended 31 December 2018 as there were no dilutive potential ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Office equipment HK$'000	Furniture and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018	9,724	13,438	2,311	11,214	2,133	38,820
Additions	–	18	48	476	1,818	2,360
Written off	–	–	–	(7)	–	(7)
Exchange realignment	(499)	(31)	(94)	(322)	–	(946)
At 31 December 2018	**9,225**	**13,425**	**2,265**	**11,361**	**3,951**	**40,227**
Reclassification due to adoption of HKFRS 16 (note 3)	**–**	**–**	**–**	**–**	**(3,222)**	**(3,222)**
At 1 January 2019	**9,225**	**13,425**	**2,265**	**11,361**	**729**	**37,005**
Additions	**–**	**182**	**89**	**83**	**–**	**354**
Derecognised upon disposals of subsidiaries	**–**	**(7,184)**	**–**	**(10,249)**	**–**	**(17,433)**
Exchange realignment	**(172)**	**(112)**	**(32)**	**(18)**	**–**	**(334)**
At 31 December 2019	**9,053**	**6,311**	**2,322**	**1,177**	**729**	**19,592**
Accumulated depreciation						
At 1 January 2018	1,130	13,215	879	10,765	1,649	27,638
Charge for the year	432	81	421	296	699	1,929
Written off	–	–	–	(2)	–	(2)
Exchange realignment	(75)	(25)	(56)	(318)	–	(474)
At 31 December 2018	1,487	13,271	1,244	10,741	2,348	29,091
Reclassification due to adoption of HKFRS 16 (note 3)	–	–	–	–	(1,737)	(1,737)
At 1 January 2019	**1,487**	**13,271**	**1,244**	**10,741**	**611**	**27,354**
Charge for the year	**424**	**58**	**442**	**73**	**116**	**1,113**
Derecognised upon disposals of subsidiaries	**–**	**(7,184)**	**–**	**(10,249)**	**–**	**(17,433)**
Exchange realignment	**(33)**	**(113)**	**(22)**	**(7)**	**–**	**(175)**
At 31 December 2019	**1,878**	**6,032**	**1,664**	**558**	**727**	**10,859**
Carrying amount						
At 31 December 2019	**7,175**	**279**	**658**	**619**	**2**	**8,733**
At 31 December 2018	7,738	154	1,021	620	1,603	11,136

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

As at 31 December 2018, carrying value of motor vehicles held under finance lease was HK$1,485,000. The carrying value of motor vehicles of HK$1,485,000 held under finance lease had been transferred to right-of-use assets upon initial application of HKFRS 16 on 1 January 2019 (note 17). Leasehold land and buildings with carrying value of approximately HK$7,175,000 (2018: HK$7,738,000) are held in the PRC under long term lease.

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Leased motor vehicles HK$'000	Total HK$'000
At 1 January 2019 (note 3)	–	1,485	1,485
Disposals	–	(1,485)	(1,485)
Additions	7,067	–	7,067
Depreciation	(2,718)	–	(2,718)
Impairment losses recognised	(1,904)	–	(1,904)
At 31 December 2019	2,445	–	2,445

Lease liabilities of approximately HK$5,999,000 are recognised with related right-of-use assets of approximately HK$2,445,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

	2019 HK$'000
Depreciation expenses on right-of-use assets	**2,718**
Interest expense on lease liabilities (included in finance costs)	**396**

For both years, the Group leases office and staff quarters for its operations. Lease contracts are entered into for fixed term of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INTEREST IN A JOINT VENTURE

As at 31 December 2019 and 2018, the Group had interest in the following joint venture:

Name	Form of entity	Place of establishment	Registered capital	Proportion of ownership interests or participating shares held by the Group 2019	2018	Principal activities
Hebao (Shenzhen) Information Technology Company Limited* (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	Ordinary, RMB20,000,000	**49%**	49%	Inactive

* English name is for identification purpose.

As at 31 December 2019 and up to the approval date on these consolidated financial statements, no capital was injected to the joint venture by the Group.

19. FINANCE LEASE RECEIVABLES

Undiscounted lease payments analysed as:

	2019 HK$'000	2018 HK$'000
Recoverable after 12 months	**39,106**	18,096
Recoverable within 12 months	**26,292**	48,654
	65,398	66,750
Net investment in the lease analysed as:		
Recoverable within 12 months	**21,520**	13,739
Recoverable after 12 months	**35,545**	43,181
	57,065	56,920

19. FINANCE LEASE RECEIVABLES *(Continued)*

Amounts receivable under finance leases based on repayment schedule is as follows:

	2019 HK$'000
Within one year	26,292
In the second year	23,042
In the third year	9,872
In the fourth year	5,593
In the fifth year	599
Undiscounted lease payments	65,398
Less: unearned finance income	(7,744)
Present value of minimum lease payments	57,654
Impairment loss as recognised	(589)
Net investment in lease	57,065

Certain of machineries of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

Movements of impairment loss as recognised is as follows:

	2019 HK'000
At beginning of year	–
Impairment losses recognised for the year	596
Exchange realignment	(7)
At end of year	589

19. FINANCE LEASE RECEIVABLES (Continued)

Finance lease receivables comprises:	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Within one year	18,096	13,739
After one year but within two years	18,504	15,403
In the second to fifth years, inclusive	30,150	27,778
Total minimum finance lease recoverability	66,750	56,920
Less: unearned finance income	(9,830)	N/A
Present value of minimum lease receivables	56,920	56,920
Analysed for reporting purposes as:		
Current assets		13,739
Non-current assets		43,181
		56,920

The effective interest rates of the above finance leases range from 9% to 13% (2018: 9% to 13%) per annum. The relevant lease contracts entered into of approximately HK$57,654,000 (2018: HK$56,920,000) was aged within 3–5 years (2018: 3–5 years) at the end of the reporting period.

As at 31 December 2019 and 2018, all the finance lease receivables were secured by the leased assets and customers' deposits (2018: leased assets and customers' deposits). The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

19. FINANCE LEASE RECEIVABLES *(Continued)*

Deposits of approximately HK$3,685,000 (2018: HK$2,215,000) have been received by the Group to secure certain finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing. In addition, the finance lease receivables are secured over the leased assets, mainly machinery leased, as at 31 December 2019 and 2018. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

All finance leasing arrangement are denominated in RMB, which is the functional currency of the Group's entity which engages in the finance leasing business and accordingly, the Group is not exposed to foreign currency risk.

Upon application of HKFRS 9 on 1 January 2018, the Group applies 12-month ECL prescribed by HKFRS 9. The credit risk of finance lease receivables is considered as assessed low since initial recognition as finance lease receivables at the end of both reporting periods are not past due. There was no recent history of default of the debtor and it has good settlement record with the Group. To measure the ECL of finance lease receivables, finance lease receivables have been grouped based on the shared credit risk characteristics.

The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and the realisation of collateral. During the year ended 31 December 2019, allowance on finance lease receivables of approximately HK$589,000 (2018: Nil) was recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

20. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Receivables at amortised cost comprise:		
Trade receivables	**111,592**	15,452
Less: allowance for impairment losses	**(1,136)**	–
	110,456	15,452
Other receivables	**6,475**	3,701
Less: allowance for impairment losses	**(1,096)**	(1,096)
	5,379	2,605
Deposits	**23,543**	–
Less: allowance for impairment losses	**(415)**	–
	23,128	–
Prepayments	**570**	873
	139,533	18,930

The Group's trading terms with its major customers under cross-border trading of nutrition food and health care products segment is either on credit or to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 0 to 30 days (2018: 0 to 30 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**72,206**	9,852
31–60 days	**–**	5,600
Over 60 days	**38,250**	–
	110,456	15,452

The Group does not charge interest or hold any collateral over these balances.

The Group applied simplified approach to provide the ECL as prescribed by HKFRS 9. The impairment methodology is set out in notes 4 and 6 to the consolidated financial statements.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Details of the credit risk assessment are included in note 6(b) to the consolidated financial statements.

The directors of the Company are of the opinion that there is no significant increase of credit risk regarding the outstanding balances of trade receivables over due for over 60 days as at 31 December 2019, after carefully considered (i) the payment patterns and credit history of these customers; and (ii) the amounts due were substantially recovered shortly subsequent to the end of the reporting periods.

Lifetime ECL that has been recognised in accordance with simplified approach set out in HKFRS 9 is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	–
Impairment losses recognised for the year	**1,136**	–
At 31 December	**1,136**	–

The carrying amount of the Group's trade receivables at the end of reporting period are denominated in HK$.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The movement in the allowance for impairment for other receivables is set out below:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**1,096**	455
Impairment loss recognised for the year	**–**	701
Exchange realignment	**–**	(60)
At 31 December	**1,096**	1,096

The impairment loss recognised for other receivables was provided based on credit impaired lifetime ECL. For the remaining balance of other receivables, the directors of the Group consider that it has low risk of default or has not been a significant increase in credit risk since initial recognition of which that are not credit impaired.

The movement in the allowance for impairment for deposits is set out below:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**–**	–
Impairment loss recognised for the year	**415**	–
At 31 December	**415**	–

The impairment loss recognised for deposits was provided based on credit impaired lifetime ECL. For the remaining balance of deposits, the directors of the Group consider that it has low risk of default or has not been a significant increase in credit risk since initial recognition of which that are not credit impaired.

21. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include:

	2019	2018
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**217**	376

22. BANK BALANCES AND CASH

At the end of reporting period, the bank balances and cash of the Group are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HK$	**31,479**	30,180
RMB	**12,381**	42,070
US$	**55**	55
	43,915	72,305

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. Exchange of RMB into other currencies is permitted by the Group through bank authorised to conduct exchange business.

23. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Non-current		
Security deposit for finance lease receivables	**3,685**	2,215
Current		
Trade payables	**80,476**	5,171
Other payables	**2,127**	6,552
Interest payables	**4,004**	1,876
Value added tax payables	**693**	903
	87,300	14,502

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

	2019 HK$'000	2018 HK$'000
0–30 days	**45,034**	5,171
31–60 days	**32,563**	–
Over 60 days	**2,879**	–
	80,476	5,171

The average credit period on purchases of goods is 30 days (2018: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2019, approximately HK$1,488,000 (2018: HK$3,100,000) of other payables of the Group were denominated in HK$ which are not the functional currencies of the relevant Group entities.

24. LOAN FROM THE ULTIMATE HOLDING COMPANY

	2019 HK$'000	2018 HK$'000
Unsecured:		
Loan repayable within one year	**50,000**	65,000

The fixed interest rate of the loan from the ultimate holding company is 9.5% (2018: 9.5%) per annum.

As at 31 December 2019, approximately HK$50,000,000 (2018: HK$65,000,000) of loan from the ultimate holding company of the Group was denominated in HK$ which is not the functional currency of the relevant Group entity.

25. LEASE LIABILITIES (2018: OBLIGATION UNDER FINANCE LEASE)

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Within one year	**4,608**	320	**4,413**	278
In the second to fifth years, inclusive	**1,611**	640	**1,586**	591
After five years	**–**	346	**–**	339
	6,219	1,306	**5,999**	1,208
Less: Future finance charges	**(220)**	(98)	**N/A**	N/A
Present value of lease obligations	**5,999**	1,208	**5,999**	1,208
Less: Amount due for settlement within 12 months (shown under current liabilities)			**4,413**	278
Amount due for settlement after 12 months			**1,586**	930

All finance lease payables are denominated in HK$.

25. LEASE LIABILITIES (2018: OBLIGATION UNDER FINANCE LEASE) *(Continued)*

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3 to the consolidated financial statements.

26. CONVERTIBLE BONDS

The convertible bonds were issued on 24 June 2019. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and 24 June 2022. The bonds are convertible to an aggregated of 195,000,000 ordinary shares of the Company at HK$0.2 per share.

If the bonds are not converted, they will be redeemed at par on 24 June 2022. Interest of 5% per annum will be settled with the outstanding principal at the maturity date.

The net proceeds received from the issue of the convertible bonds have been split into between the liability element and an equity component, as follows:

	2019 HK$'000
Nominal value of convertible bonds issued	39,000
Equity component	(6,640)
Liability component at date of issue	32,360
Imputed interest charged (note 10)	1,879
Liability component at 31 December 2019	34,239

The interest charged for the year is calculated by applying an effective interest rate of 11.50% to the liability component for the 36 months period since the loan notes were issued.

27. PROMISSORY NOTES

On 6 May 2019, the Group issued an unlisted promissory notes with principal amount of HK$10,000,000 bearing an interest rate of 3% per annum. The promissory notes and the interests will be repayable on the expiry day of the twenty-four month period from the issuance of the relevant promissory notes. The effective interest rate applied to promissory notes is 2.96%.

27. PROMISSORY NOTES *(Continued)*

	2019 HK$'000
Principal amount of promissory notes raised	**10,000**
Imputed interest charged (note 10)	**167**
At 31 December	**10,167**

The Group's promissory notes were unsecured and denominated in HK$ which is not the functional currency of the relevant Group entity.

28. CORPORATE BONDS

During the year ended 31 December 2015, the Group issued 4 trenches of unlisted corporate bonds of an aggregate principal amount of HK$10,000,000 bearing an interest rate of 7% per annum, payable annually. The corporate bonds will be repayable on the expiry day of the ninetieth-month period from issuance of the relevant bonds. The effective interest rate applied to corporate bonds is 10.2%.

	2019 HK$'000	2018 HK$'000
At 1 January	**9,608**	9,408
Imputed interest charged (note 10)	**921**	900
Interest paid	**(700)**	(700)
At 31 December	**9,829**	9,608

	2019 HK$'000	2018 HK$'000
Analysed for reporting purpose as:		
Current portion (included in interest payables under other payables)	**700**	700
Non-current portion	**9,129**	8,908
	9,829	9,608

The Group's corporate bonds were unsecured and denominated in HK$ which is not the functional currency of the relevant Group entity.

29. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.005 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	20,000,000	100,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.005 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	982,000	4,910

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

The capital structure of the Group consists of net debts which include loan from the ultimate holding company, convertible bonds, promissory notes, corporate bonds and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt and new share issues.

The Group is not subject to any externally imposed capital requirements except for the Group in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registers periodically on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Right-of-use assets	**2,424**	–
Interests in subsidiaries	**–***	17,138
	2,424	17,138
Current assets		
Other receivables	**1,847**	1,531
Amounts due from subsidiaries	**20,380**	25,102
Bank and cash balances	**341**	4,729
	22,568	31,362
Current liabilities		
Other payables	**4,813**	2,949
Loan from the ultimate holding company	**50,000**	65,000
Lease liabilities	**3,608**	–
Amounts due to subsidiaries	**118,544**	163,072
	176,965	231,021
Net current liabilities	**(154,397)**	(199,659)
Total assets less current liabilities	**(151,973)**	(182,521)
Non-current liabilities		
Lease liabilities	**885**	–
Convertible bonds	**34,239**	–
Promissory notes	**10,167**	–
Corporate bonds	**9,129**	8,908
	54,420	8,908
NET LIABILITIES	**(206,393)**	(191,429)
Capital and reserves		
Share capital	**4,910**	4,910
Reserves	**(211,303)**	(196,339)
CAPITAL DEFICIENCY	**(206,393)**	(191,429)

* Represents amount less than HK$1,000.

Approved and authorised for issue by the Board of Directors on 6 May 2020.

Liu Xin Chen
Director

Huang Jian
Director

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium (note 31(c)(i)) HK$'000	Other reserve (note 31(c)(iii)) HK$'000	Equity component of convertible bonds (note 31(c)(ii)) HK$'000	Foreign currency translation reserve (note 31(c)(iv)) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	190,049	81,270	–	(6,172)	(448,479)	(183,332)
Loss for the year and total comprehensive expense for the year	–	–	–	–	(13,007)	(13,007)
At 31 December 2018	190,049	81,270	–	(6,172)	(461,486)	(196,339)
Effect on initial application of HKFRS 16	–	–	–	–	(793)	(793)
At 1 January 2019 (restated)	190,049	81,270	–	(6,172)	(462,279)	(197,132)
Issue of convertible bonds	–	–	6,640	–	–	6,640
Transfer upon disposals of subsidiaries	–	(81,270)	–	–	81,270	–
Loss for the year and total comprehensive expense for the year	–	–	–	–	(20,811)	(20,811)
At 31 December 2019	190,049	–	6,640	(6,172)	(401,820)	(211,303)

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and after deduction of capitalisation issue and issuance costs of shares.

In accordance with the Bermuda Companies Act 1981, the Company's share premium are distributable in the form of fully paid bonus shares.

31. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Equity component of convertible bonds

The equity component of convertible bonds represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(k) to the financial statements.

(iii) Other reserve

The other reserve represents the difference between the nominal value of the shares issued for the acquisition of Wide Reach Limited ("Wide Reach") and the consolidated net asset value of Wide Reach and its subsidiaries at the date of acquisition.

The amount of other reserve was credited to accumulated losses of the Company, following the disposals of subsidiaries as detailed in note 33(a) to the consolidated financial statements.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c)(iii) to the consolidated financial statements.

32. SUBSIDIARIES OF THE COMPANY

Particular of the subsidiaries as 31 December are as follows:

Name of Company	Place/Country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Direct		Indirect				
			2019	2018	2019	2018	2019	2018	
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary share US$1	100%	100%	–	–	100%	100%	Investment holding
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	–	–	100%	100%	100%	100%	Inactive
Prokit Limited 博奇有限公司	Hong Kong	Ordinary share HK$1	–	–	100%	100%	100%	100%	Inactive
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	–	–	100%	100%	100%	100%	Inactive
Sino Top Capital Resources Limited 華威資本有限公司	Hong Kong	Ordinary share HK$1	–	–	100%	100%	100%	100%	Finance leasing
Shanxi Sino Top Leasing Limited* 山西華威融資租賃有限公司 (note a)	The PRC	Ordinary shares US$10,000,000	–	–	100%	100%	100%	100%	Finance leasing and trading of metal and equipment
World Channel Development Limited	British Virgin Islands	Ordinary share US$1	–	–	100%	100%	100%	100%	Investment holding
Dailuyang Electronic Commerce Limited 帶路羊電子商貿有限公司	Hong Kong	Ordinary share HK$1	–	–	100%	100%	100%	100%	Trading of nutritional food and health care products
Infinity Financial Group (Holdings) Limited (formerly known as Forton Group Limited)	Hong Kong	Ordinary share HK$1	–	–	100%	100%	100%	100%	Inactive
Rong Shan Capital Resources Limited 融山資本有限公司	Hong Kong	Ordinary shares HK$10,000	–	–	100%	100%	100%	100%	Inactive
Taili Asia Development Co. Ltd	Hong Kong	Ordinary shares HK$10,000	–	–	100%	100%	100%	100%	Investment holding

32. SUBSIDIARIES OF THE COMPANY (Continued)

Name of Company	Place/Country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct 2019	2018	Indirect 2019	2018	Proportion of voting power held by the Company 2019	2018	Principal activities
Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd* 亞太鯤鵬融資租賃(深圳)有限公司 (note a)	The PRC	Ordinary shares US$2,000,000 (note b)	–	–	100%	100%	100%	100%	Finance leasing and related consultancy service
Shenzhen Qianhai Zhongmao Commercial Factoring Company Limited* ("Zhongmao Leasing") 深圳市前海中茂商業保理有限公司 (note a)	The PRC	Ordinary shares RMB40,000	–	–	100%	100%	100%	100%	Finance leasing and related consultancy service
深圳市正原供應鏈有限公司 (note a)	The PRC	(note c)	–	–	100%	100%	100%	100%	Trading of health care products
融元融資租賃(上海)有限公司 (note a)	The PRC	(note d)	–	–	100%	100%	100%	100%	Inactive

* English name is for identification purpose only.

Note a: Wholly foreign-owned enterprise established in the PRC.

Note b: The registered capital of Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd amounted to US$10,000,000 (equivalent to approximately HK$78,340,000) of which US$8,000,000 (equivalent to approximately HK$62,672,000) remained unpaid and not yet paid up to date.

Note c: The registered capital of 深圳市正原供應鏈有限公司 amounted to RMB60,000,000 (equivalent to approximately HK$68,339,000) which remained unpaid up to date.

Note d: The registered capital of 融元融資租賃(上海)有限公司 amounted to US$50,000,000 (equivalent to approximately HK$391,700,000) which remained unpaid up to date.

None of the subsidiary had any debt securities issued subsisting at the end of both years or any time during both years.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposals of subsidiaries

During the year, the Group disposed of its entire interests in two wholly-owned subsidiaries, namely, Wide Reach Limited and Nice Regent Industries Limited (collectively known as "**Disposal Group**"), which remain inactive, to an independent third party (the "**Purchaser**") at an aggregated consideration of HK$10,000 (the "**Disposals**").

Pursuant to the sales and purchase agreement entered into between the Group and the Purchaser dated 22 October 2019, the Group has conditionally agreed to sell the entire interests in the Disposal Group whereby all the amounts due by the Group to the Disposal Group at the date of completion of the Disposals, at an aggregated amount of approximately HK$91,000,000 would be waived. The Disposals was completed on 22 October 2019.

Net assets of the Disposal Group at the completion date of the Disposals were as follows:

	HK$'000
Bank and cash balances	36
Amount due from intermediate holding company	41,000
Amount due from fellow subsidiaries	50,000
Income tax payables	(645)
Net assets disposed of	90,391

	HK$'000
Net assets of the Disposal Group disposed of (per above)	90,391
Waiver of amount due from intermediate holding company	(41,000)
Waiver of amount due from fellow subsidiaries	(50,000)
Release of foreign currency translation reserve upon Disposals	1,550
Gain on Disposals	(931)
Total consideration, satisfied by cash	10
Net cash outflow arising on the Disposals:	
Cash consideration received	10
Cash and cash equivalents disposed of	(36)
	(26)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table set forth below is the detail 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 statement of cash flows as cash flows from financing activities.

	1 January 2019	Impact on Initial application of HKFRS 16 (note 3)	Restated balance at 1 January 2019	New lease arrangement	Financing cash flows	Equity component	Finance costs incurred (note 10)	Exchange realignments	31 December 2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan from the ultimate holding company (note 24)	65,000	–	65,000	–	(15,000)	–	–	–	50,000
Lease liabilities (note 25)	–	4,637	4,637	7,068	(6,068)	–	396	(34)	5,999
Obligation under finance lease (note 25)	1,208	(1,208)	–	–	–	–	–	–	–
Convertible bonds — liabilities component (note 26)	–	–	–	–	39,000	(6,640)	1,879	–	34,239
Promissory notes (note 27)	–	–	–	–	10,000	–	167	–	10,167
Corporate bonds (note 28)	8,908	–	8,908	–	(700)	–	921	–	9,129
Interest payables included under trade and other payables (note 23)	1,876	–	1,876	–	(3,087)	–	5,215	–	4,004
	76,992	3,429	80,421	7,068	24,145	(6,640)	8,578	(34)	113,538

	1 January 2018	Financing cash flows	Finance costs Incurred (note 10)	New finance lease arrangement	31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other borrowings	50,000	(50,000)	–	–	–
Loan from the ultimate holding company (note 24)	–	65,000	–	–	65,000
Corporate bonds (note 28)	8,708	(700)	900	–	8,908
Obligation under finance lease (note 25)	–	(610)	–	1,818	1,208
Interest payables included under trade and other payables (note 23)	1,533	(5,635)	5,978	–	1,876
	60,241	8,055	6,878	1,818	76,992

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

Amounts included in the cash flow statements for lease comprise the following:

	2019 HK$'000	2018 HK$'000
Within operating cash flows	**396**	–
Within financing cash flows	**5,672**	658
	6,068	658

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Lease rental paid	**6,068**	658

34. OPERATING LEASE COMMITMENT

The Group as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating lease are fall due as follows:

	2018 HK$'000
Within one year	4,268
In the second to fifth years inclusive	1,975
	6,243

For the year ended 31 December 2018, the Group leases certain of its offices and staff quarter under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years and rentals are fixed for an average of three years. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

35. CAPITAL COMMITMENT

	2019 **HK$'000**	2018 HK$'000
Capital expenditure in respect of contracted commitments for capital contribution to the joint venture (note 18) (equivalent to RMB9,800,000)	**10,955**	11,618

36. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

There was no forfeited contribution in respect of the defined contribution plan available at 31 December 2019 and 2018.

37. RELATED PARTY TRANSACTIONS

Save as balances of related party disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year.

Key Management Compensation

Save as disclosed in note 13 to the consolidated financial statements, there is no remuneration paid to key management personnel of the Company during the year (2018: Nil).

38. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a Share Option Scheme (the "**Scheme**") for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

38. SHARE OPTION SCHEME *(Continued)*

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share option was granted since the adoption of the Scheme up to the year ended 31 December 2019.

39. EVENTS AFTER THE REPORTING PERIOD

(a) Epidemic of Coronavirus Disease 2019

In January 2020, the epidemic caused by the novel coronavirus began to spread in the PRC. Considering the severity of the accelerating spread of the epidemic, the Group implemented the PRC Government's decisive measures and plans to secure victory in the battle of epidemic prevention and control. In adherence to the guidelines of the PRC Government and to protect our employees from infection, the Group has adopted preventive and control measures against the epidemic. The Group gradually resumed limited operation in March 2020 following the temporary suspension of operation after Chinese New Year holiday. The Group is closely monitoring the development of the epidemic and continues to evaluate its impact to the business, the financial position and operating results of the Group.

(b) Discloseable Transaction — Revolving factoring agreement

On 16 March 2020, Zhongmao Leasing, an indirect wholly-owned subsidiary of the Company incorporated in the PRC, had entered into a revolving factoring master agreement ("Master Agreement") with a customer to provide factoring facility service in the principal amount of RMB15,000,000. The Company further announced on 20 March 2020 that due to the intended factoring facility service cannot be sufficiently established in the Master Agreement, the Company and the customer had entered into mutual agreement to terminate the Master Agreement and to enhance the terms of the Master Agreement to align it with the agreed intention of the parties. The Company would make further announcement when a new revolving factoring master agreement will be entered into.

Details of the above are set out in the Company's announcements dated 16 March 2020 and 20 March 2020.

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 May 2020.

Five Year 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 published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**299,525**	137,647	77,150	61,742	130,796
Cost of sales	**(281,665)**	(130,451)	(70,252)	(50,436)	(112,979)
Gross profit	**17,860**	7,196	6,898	11,306	17,817
Other operating income	**798**	911	8,518	4,585	732
Gain/(loss) on disposal of a subsidiary	**(931)**	–	19,674	–	–
Gain on early redemption of convertible bonds	**–**	–	–	–	4,992
Change in fair value of financial assets at FVTPL/held-for-trading investment	**(159)**	(479)	(3,249)	2,924	(11,252)
Selling and distribution expenses	**(1,450)**	(467)	(609)	(2,611)	(2,532)
Administrative and other expenses	**(27,592)**	(21,805)	(25,945)	(43,739)	(57,732)
Finance costs	**(8,578)**	(6,878)	(16,123)	(14,836)	(27,692)
Loss before taxation	**(20,052)**	(21,522)	(10,836)	(42,371)	(75,667)
Income tax (expense) credit	**1,354**	(486)	(72)	(573)	(1,743)
Loss for the year	**(18,698)**	(22,008)	(10,908)	(42,944)	(77,410)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations and total other comprehensive income (expense)	**(1,379)**	(3,473)	6,109	(7,189)	(7,034)
Release of exchange reserve upon disposals of subsidiaries	**1,550**	–	–	–	–
Release of revaluation reserve upon disposal of available-for-sale investment	**–**	–	–	(330)	–
Total comprehensive (expense) income for the year	**(18,527)**	(25,481)	(4,799)	(50,463)	(84,444)
Loss per share (HK cents) Basic and diluted	**(1.90)**	(2.24)	(1.11)	(4.37)	(8.00)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
TOTAL ASSETS	**253,168**	160,511	159,143	277,914	359,824
TOTAL LIABILITIES	**(200,982)**	(93,009)	(66,160)	(180,132)	(211,579)
NET ASSETS	**52,186**	67,502	92,983	97,782	148,245