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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Momentum Financial Holdings Limited (the "**Company**") would like to announce the consolidated final results of the Company and its subsidiaries (collectively refer to as the "**Group**") for the year ended 31 December 2020 (the "**Annual Results**"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**353,958**	299,525
Cost of sales		**(329,081)**	(281,665)
Gross profit		**24,877**	17,860
Other operating income	*6*	**4,120**	798
Gain on modification of loan from the ultimate holding company		**3,304**	–
Loss on disposals of subsidiaries		**–**	(931)
Change in fair value of financial asset at fair value through profit or loss ("**FVTPL**")		**(68)**	(159)
Administrative and other expenses		**(19,183)**	(25,440)
Selling and distribution expenses		**(440)**	(1,450)
Impairment losses on finance lease receivables		**(443)**	(596)
Impairment losses on trade receivables		**(1,477)**	(1,136)
Impairment losses on other receivables		**(323)**	(420)
Profit/(loss) from operation		**10,367**	(11,474)
Gain on bargain purchase		**59**	–
Finance costs	*7*	**(5,248)**	(8,578)

	Note	2020 HK$'000	2019 HK$'000
Profit/(loss) before tax		**5,178**	(20,052)
Income tax (expense)/credit	*8*	**(258)**	1,354
Profit/(loss) for the year	*9*	**4,920**	(18,698)
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		**6,306**	(1,379)
		6,306	171
Total comprehensive income/(loss) for the year		**11,226**	(18,527)
Profit/(loss) for the year attributable to:			
— the owners of the Company		**4,511**	(18,698)
— non-controlling interests		**409**	–
		4,920	(18,698)
Total comprehensive income/(loss) for the year attributable to:			
— the owners of the Company		**10,794**	(18,527)
— non-controlling interests		**432**	–
		11,226	(18,527)
Earnings/(loss) per share (HK cents)	*10*		
— Basic		**0.46**	(1.90)
— Diluted		**0.46**	(1.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**9,490**	8,733
Right-of-use assets		**2,255**	2,445
Interest in a joint venture		**–**	–
Finance lease receivables	*12*	**15,540**	35,545
		27,285	46,723
Current assets			
Trade and other receivables	*13*	**319,071**	139,533
Finance lease receivables	*12*	**21,402**	21,520
Financial assets at FVTPL		**148**	217
Tax recoverables		**1,377**	1,260
Bank balances and cash		**11,738**	43,915
		353,736	206,445
Current liabilities			
Trade and other payables	*14*	**201,163**	87,300
Loan from the ultimate holding company		**50,000**	50,000
Bank borrowings		**1,782**	–
Lease liabilities		**1,587**	4,413
Tax payables		**309**	463
		254,841	142,176
Net current assets		**98,895**	64,269
Total assets less current liabilities		**126,180**	110,992
Non-current liabilities			
Other payables	*14*	**1,915**	3,685
Lease liabilities		**985**	1,586
Convertible bonds		**38,153**	34,239
Promissory notes		**10,494**	10,167
Corporate bonds		**9,372**	9,129
		60,919	58,806
NET ASSETS		**65,261**	52,186
Capital and reserves			
Share capital		**4,910**	4,910
Reserves		**58,070**	47,276
		62,980	52,186
Non-controlling interests		**2,281**	–
TOTAL EQUITY		**65,261**	52,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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**"). The address of the registered office is Clarendon House 2 Church Street Hamilton HM 11 Bermuda and principal place of business of the Company is Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The principal activities of the Group are the provision of finance leasing and consultancy services and cross-border trading business — nutrition food and health care products.

The functional currency of the Company is Renminbi ("**RMB**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Directors consider that HK$ 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 the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) of the laws of Hong Kong. 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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 16, COVID-19 related rent concessions	1 June 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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service line		
— Cross-border trading of nutrition food and health care products	**335,451**	294,292
— Consultancy service income	**14,286**	–
Revenue from other sources	**349,737**	294,292
— Interest income from provision of finance leasing services	**4,221**	5,233
	353,958	299,525

5. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services.

Specifically, the Group's reportable segments are as follows:

(i) Provision of finance leasing and consultancy service in finance leasing business (earning interest income, handling fee and consultancy fee) and purchasing of leased assets

(ii) Cross-border trading business — nutrition food and health care products

Segment revenues and results

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

For the year ended 31 December 2020

	Provision of finance leasing and consultancy service *HK$'000*	**Cross-border trading business — nutrition food and health care products** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue	**6,055**	**335,451**	**12,452**	**353,958**
Segment profit	**4,063**	**15,646**	**1,255**	**20,964**
Unallocated other operating income				**4,120**
Gain on modification of loan from the ultimate holding company				**3,304**
Change in fair value of financial asset at FVTPL				**(68)**
Unallocated expenses				**(17,894)**
Finance costs				**(5,248)**
Profit before tax				**5,178**

For the year ended 31 December 2019

	Provision of finance leasing and consultancy service *HK$'000*	Cross-border trading business — nutrition food and health care products *HK$'000*	Total *HK$'000*
Segment revenue	5,233	294,292	299,525
Segment profit/(loss)	(354)	11,787	11,433
Unallocated other operating income			60
Loss on disposals of subsidiaries			(931)
Change in fair value of financial asset at FVTPL			(159)
Unallocated expenses			(21,877)
Finance costs			(8,578)
Loss before tax			(20,052)

Segment profit represents the profit earned by each segment without allocation of change in fair value of financial asset at FVTPL, gain on modification of loan from the ultimate holding company, gains on disposal of subsidiaries, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other operating income and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2020	2019
	HK$'000	*HK$'000*
Cross-border trading business — nutrition food and health care products	**237,047**	134,237
Finance leasing business	**55,637**	59,298
Others	**17,353**	–
Total segment assets	**310,037**	193,535
Unallocated corporate assets	**70,984**	59,633
Total assets	**381,021**	253,168

Segment liabilities

	2020	2019
	HK$'000	*HK$'000*
Cross-border trading business — nutrition food and health care products	**174,716**	81,061
Finance leasing business	**9,768**	3,689
Others	**14,393**	–
Total segment liabilities	**198,877**	84,750
Unallocated corporate liabilities	**116,883**	116,232
Total liabilities	**315,760**	200,982

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

- all assets are allocated to operating segments other than bank balances and cash, financial asset at FVTPL, income tax recoverable and other assets for corporate use including certain plant and equipment, right-of-use assets 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, bank borrowings, convertible bonds, promissory notes, lease liabilities, income tax payables and corporate bonds which were managed in a centralised manner.

6. OTHER OPERATING INCOME

	2020 HK$'000	2019 HK$'000
Finance lease handling income	**133**	592
Finance lease penalty income	**45**	8
Bank interest income	**1,539**	55
Gain on termination of lease contracts	**2,069**	–
Others	**334**	143
	4,120	798

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
— loan from the ultimate holding company	**–**	5,215
— bank borrowings	**20**	–
Effective interest expenses on:		
— convertible bonds	**3,913**	1,879
— corporate bonds	**864**	921
— promissory notes	**301**	167
— lease liabilities	**150**	396
	5,248	8,578

8. INCOME TAX (EXPENSE)/CREDIT

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax		
— Provision for the year	**65**	36
PRC Enterprise Income Tax		
— Provision for the year	**626**	51
— Under-provision of prior years	**(433)**	(1,441)
	193	(1,390)
	258	(1,354)

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2020.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2019: 25%) during the year.

9. PROFIT/(LOSS) FOR THE YEAR

	2020 *HK$'000*	2019 *HK$'000*
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments	**2,812**	2,425
Salaries and other allowances (excluding Directors' and chief executive's emoluments)	**5,009**	6,990
Retirement benefit scheme contributions (excluding Directors' and chief executive's emoluments)	**185**	508
Total staff costs	**8,006**	9,923
Auditor's remuneration	**710**	700
Amount of inventories recognised as an expense	**318,435**	281,665
Depreciation		
— owned assets	**936**	1,113
— right-of-use assets	**1,312**	2,718
Loss on disposals of property, plant and equipment/leased assets	**–**	95
Exchange loss, net (included in administrative and other expenses)	**3**	199
Impairment losses on trade receivables	**1,477**	1,136
Impairment losses on finance lease receivables	**443**	596
Impairment losses on other receivables	**323**	420
Impairment on right-of-use asset	**–**	1,904
Lease payments in respect of operating lease for rented premises	**1,005**	–

10. EARNINGS/(LOSS) PER SHARE

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

	2020 *HK$'000*	2019 *HK$'000*
Earnings/(loss)		
Earnings/(loss) for the year attributable to the owners of the Company for the purpose of basic earnings/(loss) per share	**4,511**	(18,698)
Finance costs saving on conversion of convertible loans outstanding	**3,913**	1,879
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	**8,424**	(16,819)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**982,000**	982,000
Effect of dilutive potential shares arising from convertible loans outstanding	**195,000**	195,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,177,000**	1,177,000

Diluted earnings/(loss) per share were the same as the basic earnings/(loss) per share for the years ended 31 December 2020 and 2019 as the computation of diluted earnings/(loss) per share did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for the year ended 31 December 2020 (2019: a decrease in loss per share).

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12. FINANCE LEASE RECEIVABLES

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

	2020	2019
	HK$'000	*HK$'000*
Within one year	**24,349**	26,292
In the second year	**10,590**	23,042
In the third year	**5,942**	9,872
In the fourth year	**636**	5,593
In the fifth year	**–**	599
Undiscounted lease payments	**41,517**	65,398
Less: unearned finance income	**(3,481)**	(7,744)
Present value of minimum lease payments	**38,036**	57,654
Impairment loss as recognised	**(1,094)**	(589)
Net investment in lease	**36,942**	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:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**589**	–
Impairment losses recognised for the year	**443**	596
Exchange realignment	**62**	(7)
At end of the year	**1,094**	589

The effective interest rates of the above finance leases range from 9% to 13% (2019: 9% to 13%) per annum. The relevant lease contracts entered into of approximately HK$38,036,000 (2019: HK$57,654,000) was aged within 3–5 years (2019: 3–5 years) at the end of the reporting period.

As at 31 December 2020 and 2019, all the finance lease receivables were secured by the 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.

Deposits of approximately HK$3,916,000 (2019: HK$3,685,000) have been received by the Group to secure certain finance lease receivables and classified into current or 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 2020 and 2019. 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.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**253,320**	111,592
Less: allowance for impairment losses	**(2,621)**	(1,136)
	250,699	110,456
Other receivables	**15,081**	6,475
Less: allowance for impairment losses	**(1,128)**	(1,096)
	13,953	5,379
Deposits and prepayments	**55,143**	24,113
Less: allowance for impairment losses	**(724)**	(415)
	54,419	23,698
	319,071	139,533

The Group generally allows an average credit period of 0–30 days (2019: 0–30 days) to its trade customers.

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**35,095**	72,206
31–60 days	**43,130**	–
Over 60 days	**172,474**	38,250
	250,699	110,456

14. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Non-current		
Security deposits for finance lease receivables	**1,915**	3,685
Current		
Trade payables	**182,803**	80,476
Other payables	**14,292**	2,127
Security deposits for finance lease receivable	**2,001**	–
Interest payables	**674**	4,004
Value added tax payables	**1,393**	693
	201,163	87,300

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

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**32,859**	45,034
31–60 days	**37,397**	32,563
Over 60 days	**112,547**	2,879
	182,803	80,476

The average credit period on purchases of goods is 30 days (2019: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. CAPITAL COMMITMENT

	2020	2019
	HK$'000	*HK$'000*
Capital expenditure in respect of contracted commitments for capital contribution to investees	**11,640**	10,955

16. 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.

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 options are granted since the adoption of the Scheme and during the years ended 31 December 2020 and 2019.

17. CONTINGENT LIABILITIES

Modification of Loan from the ultimate holding company

On 24 April 2018, Triumph and the Company entered into a loan agreement (the "**Loan Agreement**") pursuant to which Triumph advanced an unsecured loan in principal amount of HK$80,000,000 (as at 1 January 2020, outstanding principal was HK$50,000,000), to the Company at 9.5% per annum and repayable on demand (the "**Shareholder's Loan**"). On 24 April 2018, the Loan Agreement, and all benefits accrued to the Shareholder's Loan, was assigned to Great Wall International Investment XX Limited ("**Great Wall**").

The Loan Agreement was further supplemented on 29 October 2020 under which all interest payable so accrued on the Shareholder's Loan under the Loan Agreement, and future interest to be accrued before 30 June 2022 shall be waived by Triumph and Great Wall conditionally if (i) the shares of the Company were not halted or suspended from trading for more than 90 trading days; and (ii) the Company was not delisted from the Stock Exchange of Hong Kong Limited during the period from 29 October 2020 to 30 June 2022 ("**Loan Modification**").

As the payment of interest on the Shareholder's Loan is dependent upon if the conditions of the Loan Modification cannot be met and the possibility of which cannot be ascertained reliably as at 31 December 2020. Thus, no interest on the Shareholder's Loan had been provided during the year ended 31 December 2020. However, interest of approximately HK$7,978,000 so accrued on the Shareholder's Loan for the period from May 2018 to 31 December 2020 shall be payable to Great Wall immediately should the conditions of the Loan Modification have not been met.

For the purpose of the preparation of these consolidation financial statements, the management of the Company, based on the current situation of the Company, had carefully assessed and viewed that the probability of failure to meet the conditions of the Loan Modification is remote

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of cross-border trading business and provision of finance leasing and consultancy service.

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

In view of the market growth in nutritional food products and health care products, the Group advanced its cross-border trading business related to nutritional food products and health care products through various co-operation and acquisition during this financial year.

As Covid-19 continues to rampage around the world unchecked and the global economy goes into recession, the Chinese central government has put forward the "dual circulation" strategy to boost the country's development. China will take the domestic markets and consumption as the mainstay while letting internal and external markets boost each other. Against this backdrop, it is expected that expansion and upgrading of the mainland consumer market will be a major force driving the "dual circulation" model, with cross-border e-commerce (CBEC) retail imports serving as an important link connecting the domestic consumer market with the international supply chain. In early 2020 when the coronavirus swept through China, CBEC imports, providing mainland consumers with a fast, convenient and safe source of quality products from all over the world, were extremely popular. Imports and exports of China's cross-border e-commerce totalled 1.69 trillion yuan ($261.5 billion) in 2020, up 31.1% year-on-year, while the annual growth rate of foreign trade was far behind at 1.9%, according to the data released by the General Administration of Customs (GAC) of China.

As China has experienced the Covid-19 upheavals, e-commerce has played a key role in supplying daily necessities as well as keeping the global supply chains going. Cross-border trading business have become an important channel for mainland consumers to acquire imported goods, and can be expected to play an even more significant role in China's supply chains in the post pandemic era. This channel also offers businesses an alternative to general import for selling imported goods to the mainland. Businesses should adapt to digitalised supply chains as early as possible in order to stay afloat and thrive.

Although big brands are prominent in the mainland CBEC retail imports market, consumer demand for products is becoming more diversified. They can also consider working with CBTB platforms and using government funding to propel growth.

Hong Kong performs important functions and plays a significant role in the mainland CBEC/CBTB retail imports market. Thanks to its geographical proximity to the mainland and duty free policy on most imported goods, Hong Kong is an ideal location for the storage of these goods before they enter the mainland. Hong Kong's favourable business environment facilitates frequent international trade and goods flows and has made the SAR a leading centre in south China for purchasing imported goods. Under the "dual circulation" economic growth model, the mainland consumer market for imported goods will continue to develop. As the mainland expands and liberalises its markets, Hong Kong is bound to share the benefits of the growing CBTB/CBEC retail imports trade.

As such, 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 trading business/cross-border e-commerce.

In order to tap into the fast-growing cross-border e-commerce., 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. In addition, No. 7 is a cross-border e-commerce company integrating overseas direct procurement, import and export supply chain management, commodities promotion and 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 defined 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.

In order to tap into the fast-growing cross-border trading business, 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 furthered its cooperation with Shenzhen Yueyang by acquiring its entire equity interest in October 2020 (the "Acquisition").Details of the Acquisition were mentioned in the paragraph "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies". The Group thus possesses a system which is automatic and linked directly to the PRC Custom and Exercise Department for conducting clearance and delivery of shipments enabling the Group to provide considerable full customs clearance. While the customer base is not broad, the customers are substantial customers with a considerable number of online and offline customers in the PRC.

In addition to the Acquisition and our existing warehouse in Shenzhen Nanshan, the Company had set up two warehouses: a tax-free warehouse in Yiwu with an area of 1,383 square meters and a logistics warehouse in Nanchang, with an area of 1,329 square meters. The Company altogether had three large tax-bonded warehouses in the PRC.

With the cross-border infrastructure in place, the Company had decided it would focus attention on expanding its customer base. This would have a global emphasis with overseas products being brought into the PRC market and developing global markets including Australia, US and Japan.

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.

On 24 September 2020, Shenzhen Zhengyuan Supply Chain Co., Ltd ("**Shenzhen Zhengyuan**"), an indirect wholly owned subsidiary of the Company, entered into a cooperation agreement with Shenzhen Rongda Automobile Services Co., Ltd ("**Shenzhen Rongda**") to form a joint venture (the "**JV**") which was owned as to 51% by Shenzhen Zhengyuan and would operate the second-hand automobiles finance leasing services business in China (the "**Cooperation**"). Shenzhen Rongda shall be responsible for arranging a financing credit of no less than RMB20 million (equivalent to approximately HK$23 million). With the JV, the Group was tapping into the vehicle financing business. Further details are set out in paragraph "Significant Investment Held". As at the date of this announcement, Shenzhen Rongda had entered into a financing agreement with a PRC company and had been guaranteed RMB10 million for financing which could be increased to RMB30 million in accordance with the growth of the business of the Group.

For the medical equipment finance leasing business, the Group would also be expanding its medical equipment finance leasing with further financing from banks.

The Group's finance leasing and consultancy service is mainly conducted in the following ways:

(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.

In summary, during the year ended 31 December 2020, the Group had made strategic tailor-made arrangements to support the Group's position, including (i) introduced new customers and suppliers; (ii) strengthened product lines and platform for products; (iii) improved operations and reducing operating costs; and (iv) solicited new financing facilities in the market to support and strengthen the businesses and operations of the Group.

Financial Review

Revenue

For the year ended 31 December 2020, cross-border trading business — nutrition food and health care products segment recorded a segment revenue of approximately HK$335.5 million, showing an increase of 14.0% comparing with last year.

The increase was mainly attributed to the Group's development one-stop service for cross-border trading and expansion of product offerings.

For the year ended 31 December 2020, finance leasing business segment recorded a segment revenue of approximately HK$6.1 million, showing an increase of 17.3% comparing with last year.

In the early part of 2020, because of COVID-19 and the Lunar New Year, the cross-border trading business was relatively underperformed and recorded a revenue of approximately HK$101 million in the first half year of 2020. However, with the opening up of border and commencement of trading in July 2020, there had been rapid catch up and the cross-border trading business recorded a revenue of approximately HK$234 million in the second half year of 2020.

Cost of Sales and Gross Profit

The Group's cost of sales during the year ended 31 December 2020 (the "**Reporting Period**") increased by 16.8% to approximately HK$329.1 million compared to the year ended 31 December 2019 (the "**Corresponding Period**") which was driven by the increase in revenue.

The gross profit margin of the Group increased from approximately 6.0% for the Corresponding Period to approximately 7.0% for the Reporting Period. The gross profit had increased by 39.3% to approximately HK$24.9 million compared to the Corresponding Period due to the increase in revenue. The increase in gross profit margin was mainly attributable to the increase in the gross margin 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 decreased by 24.6% to approximately HK$19.2 million when compared to the Corresponding Period, which is mainly because of cost saving measures by the Group.

Tax

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2020.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2019: 25%) during the year.

Profit/(Loss) for the year

The Group recorded a profit for the year of approximately HK$4.9 million for the Reporting Period (2019: loss for the year of approximately HK$18.7 million). The turnaround from loss to profit was mainly due to the Group's (i) introduction of new customers and suppliers; (ii) strengthening product lines and platform for products; and (iii) improvement of operations and reducing operating costs.

Liquidity, Financial Resources and Capital Structure

The Group had total cash and bank balances of approximately HK$11.8 million as at 31 December 2020 (31 December 2019: HK$43.9 million). The current ratio (current assets divided by current liabilities) of the Group as at 31 December 2020 and 31 December 2019 was 1.4 times and was 1.5 respectively. As at 31 December 2020, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("**HK$**"), 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 31 December 2020, HK$10 million was used as working capital as intended.

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 2020, approximately HK$15 million and HK12 million of the net proceeds was utilised for repayment of the shareholder's loan and working capital respectively. As at 31 December 2020, no share was converted.

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

Details of contingent liabilities are set out in note 17 "CONTINGENT LIABILITIES" above. (2019: Nil)

Gearing Ratio

The gearing ratio was 29.8% as at 31 December 2020 (31 December 2019: 40.9%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year.

Pledge of Assets

As at 31 December 2020, assets in an amount of HK$410,000 (held under finance lease arrangement) of the Group had been pledged (2019: Nil).

Capital Expenditure

For the year ended 31 December 2020, the Group incurred approximately HK$512,000 (2019: approximately HK$354,000) on the acquisition of property, plant and equipment.

Capital Commitments

As at 31 December 2020, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$11.6 million (2019: HK$11.0 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 2020 (2019: 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 2020, the Group has a workforce of approximately 32 employees (31 December 2019: 17) 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 2020, 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**"). A hearing by the Listing Review Committee of The Stock Exchange of Hong Kong Limited in response to a review request by the Company was conducted on 3 March 2021 (the "**Hearing**") as rescheduled. As disclosed in the announcement of the Company dated 25 March 2021, the Company received a letter from the Listing Review Committee which stated that the Listing Review Committee, having carefully considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division, decided to exercise its discretion to remit the matter back to the Listing Committee for rehearing on an expedited basis. Further announcements will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

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

On 24 September 2020, Shenzhen Zhengyuan Supply Chain Company Limited* (深圳市正原供應鏈有限公司), an indirect wholly owned subsidiary of the Company ("**Shenzhen Zhengyuan**") and Shenzhen Rongda Automobile Service Co., Ltd.* (深圳融達汽車服務有限公司) ("**Shenzhen Rongda**") entered into a cooperation agreement in relation to the formation of the joint venture. The registered capital of the joint venture is RMB10 million, of which Shenzhen Zhengyuan has committed to contribute RMB5.1 million, accounting for 51% of the total registered capital of the joint venture; and Shenzhen Rongda has committed to contribute RMB4.9 million, accounting for 49% of the total registered capital of the joint venture. The joint venture becomes a subsidiary of the Group upon establishment and the financial performance of the joint venture is consolidated to the Group's consolidated financial statements. The joint venture named as Shenzhen Rongzheng Yigan Car Leasing Limited Company* (深圳融正易乾汽車租賃有限責任公司) ("**Shenzhen Rongzheng**") was established on 15 October 2020. Details of the formation of the joint venture were set out in the announcement of the Company dated 24 September 2020 and 28 September 2020.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 3 September 2020, Shenzhen Zhengyuan Supply Chain Company Limited* (深圳市正原供應鏈有限公司), an indirect wholly-owned subsidiary of the Company and the purchaser, entered into an agreement, pursuant to which Shenzhen No. 7 Yanghang E-commerce Company Limited* (深圳七號洋行電子商務有限公司), the vendor, has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the entire paid up capital of Shenzhen Yueyang Supply Chain Management Company Limited* (深圳越洋供應鏈管理有限公司) at a consideration of RMB850,000 (equivalent to approximately HK$963,000) to be paid in cash on the first anniversary of the completion date. This acquisition was completed on 15 October 2020. Upon the completion, Shenzhen Yueyang Supply Chain Management Company Limited* (深圳越洋供應鏈管理有限公司) becomes an indirect wholly-owned subsidiary of the Company, and its financial results is consolidated into the Group's consolidated financial statements. This acquisition allows the Company to develop its one-stop service and improve the efficiency of its cross-border import process. It also helps to expand product offering and provides a stable and long-term support to the expansion of the cross-border trading business of the Group. Details of the acquisition were set out in the announcement of the Company dated 3 September 2020 and 15 October 2020.

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 2020.

Events after the balance sheet date

On 13 January 2021, Shenzhen Rongzheng and Guomao Yingtai Finance Leasing (Xiamen) Company* (國貿盈泰融資租賃(廈門)有限公司) ("**Guomao Leasing**") entered a master cooperation agreement, pursuant to which Shenzhen Rongzheng shall refer customers to Guomao Leasing for rental of leased automobiles and provide guarantee in favour of Guomao Leasing in respect of the performance of all the obligations, liabilities and monies payable by the customers under the leasing contracts whilst Guomao Leasing shall provide fund to purchase the leased automobiles for customers' use ("**Entering of Master Cooperation Agreement**"). It was considered that the Entering of Master Cooperation Agreement can strengthen financial resources to facilitate the development of automobiles finance leasing services in the PRC and can expand the growth of the Group's existing finance leasing services business. Details of the Entering of Master Cooperation Agreement were set out in the announcement of the Company dated 13 January 2021 and 4 February 2021.

Outlook and Prospect

The Company had achieved a turnaround and had managed to achieve a net profit. Without COVID-19, the financial performance of the Group would have also been much better so there was scope for further growth and improvements. The Group is very optimistic for 2021 as it is expected that expansion and upgrading of the mainland consumer market will be a major force driving the "dual circulation" model, with cross-border trading business and retail imports serving as an important link connecting the domestic consumer market with the international supply chain. These provide ample opportunities to the Group.

As the consumer demand for products is becoming more diversified, 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 global distributors and suppliers of other products such as skin care, body care, food and beverage, 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 increasing the revenue of the Group.

With Shenzhen Rongzheng, the joint venture established in October 2020 whose equity is owned as to 51% by the Group, and the Entering of Master Cooperation Agreement as above mentioned, and financing facilities explored, the provision of finance leasing and consultancy service business will be positively affected.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 December 2020 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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 2020.

SCOPE OF WORK OF MCMILLAN WOOD (HONG KONG) CPA LIMITED

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been compared by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by McMillan Woods in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this preliminary announcement of results.

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. Li Guang Jian, who was appointed following the retirement of Mr. Zhang Hua on 29 June 2020; and is chaired by Mr. Wong Lap Wai.

The Audit Committee has reviewed and has agreed with the auditor of the Company on the annual results of the Group for the year ended 31 December 2020.

On behalf of the Board
Momentum Financial Holdings Limited
Mr. Liu Xin Chen
Executive Director

Hong Kong, 31 March 2021

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Mr. Ng Hoi, Mr. Huang Jian, Mr. Liu Xin Chen and Mr. Chan Chun Man; one non-executive director, namely, Mr. Chong Yu Keung; and three independent non-executive directors, namely, Mr. Yeh Tung Ming, Mr. Li Guang Jian and Mr. Wong Lap Wai.