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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "Board") of directors (the "Directors") of Momentum Financial Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 as follows. The interim results have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Revenue	4	**422,374**	103,374
Cost of sales		**(393,277)**	(95,894)
Gross profit		**29,097**	7,480
Other operating income		**220**	469
Change in fair value of financial asset at fair value through profit or loss ("FVTPL")		**501**	(103)
Selling and distribution expenses		**(749)**	(139)
Administrative expenses and other expense		**(7,998)**	(10,601)
Finance costs	6	**(2,963)**	(5,083)
Profit/(loss) before taxation		**18,108**	(7,977)
Income tax expenses	7	**(1,365)**	(132)
Profit/(loss) for the period	8	**16,743**	(8,109)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**4,910**	(1,882)
Total comprehensive income/(expense) for the period		**21,653**	(9,991)
Profit/(loss) for the year attributable to:			
— the owners of the Company		**14,686**	(8,109)
— non-controlling interests		**2,057**	–
		16,743	(8,109)
Total comprehensive income/(loss) for the year attributable to:			
— the owners of the Company		**19,562**	(9,991)
— non-controlling interests		**2,091**	–
		21,653	(9,991)
Earnings/(loss) per share (HK cents)			
— Basic	10	**1.50**	(0.83)
— Diluted	10	**1.50**	(0.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	**At 30 June 2021 HK$'000 (Unaudited)**	At 31 December 2020 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**8,553**	9,080
Right-of-use assets		**549**	2,665
Interest in a joint venture	*12*	**–**	–
Finance lease receivables	*13*	**14,952**	15,540
		24,054	27,285
Current assets			
Inventories		**18,718**	–
Trade and other receivables	*14*	**410,004**	319,103
Finance lease receivables	*13*	**10,414**	21,402
Financial asset at FVTPL	*15*	**650**	149
Tax recoverable		**1,481**	1,345
Bank balances and cash	*16*	**11,230**	11,738
		452,497	353,737
Current liabilities			
Trade and other payables	*17*	**262,844**	200,731
Loan from the ultimate holding company	*19*	**50,000**	50,000
Lease liabilities	*18*	**293**	1,452
Bank borrowings	*20*	**2,030**	1,782
Promissory notes	*21*	**10,728**	10,468
Tax payables		**311**	769
		326,206	265,202
Net current assets		**126,291**	88,535
Total assets less current liabilities		**150,345**	115,820
Non-current liabilities			
Other payables	*17*	**1,940**	1,915
Lease liabilities	*18*	**71**	1,120
Convertible bonds	*23*	**40,268**	38,152
Promissory notes	*21*	**12,000**	–
Corporate bonds	*22*	**9,152**	9,372
		63,431	50,559
NET ASSETS		**86,914**	65,261
Capital and reserves			
Share capital	*24*	**4,910**	4,910
Reserves		**77,632**	58,070
		82,542	62,980
Non-controlling interests		**4,372**	2,281
TOTAL EQUITY		**86,914**	65,261

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital *HK$'000*	Share premium *HK$'000*	Equity component of convertible bonds *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserve *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2020 (Audited)	4,910	190,049	6,640	(10,714)	(138,699)	47,276	–	52,186
Loss and total comprehensive expense for the period (Unaudited)	–	–	–	(1,882)	(8,109)	(9,991)	–	(9,991)
At 30 June 2020 (Unaudited)	4,910	190,049	6,640	(12,596)	(146,808)	37,285	–	42,195
At 1 January 2021 (Audited)	**4,910**	**190,049**	**6,640**	**(4,431)**	**(134,188)**	**58,070**	**2,281**	**65,261**
Profit and total comprehensive income for the period (Unaudited)	**–**	**–**	**–**	**4,876**	**14,686**	**19,562**	**2,091**	**21,653**
At 30 June 2021 (Unaudited)	**4,910**	**190,049**	**6,640**	**445**	**(119,502)**	**77,632**	**4,372**	**86,914**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(748)**	893
Net cash from investing activities	**72**	14
Net cash used in financing activities	**–**	(2,878)
Net decrease in cash and cash equivalents	**(676)**	(1,971)
Cash and cash equivalents at 1 January	**11,738**	43,915
Effect on foreign exchange rates changes	**168**	(209)
Cash and cash equivalents at 30 June represented by bank balances and cash	**11,230**	41,735

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Momentum Financial Holdings Limited (the "Company") was incorporated in the 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 the headquarters in the People's Republic of China ("PRC") is Room 3207A, Building 1, Dachong Business Center (Phase II), 9680 Shennan Avenue, Dachong Community, Yuehai Street, Nanshan District, Shenzhen, PRC. The principal place of business of the Company in Hong Kong is Flat C, 13/F, Unionway Commercial Centre, 283 Queen's Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are the provision of finance leasing and consultancy services and cross-border trading business of 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 as the directors of the Company consider that HK$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

The condensed consolidated financial statement of the Group for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise HKFRSs; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. A number of new or amended standards are effective from 1 January 2021 but they do not have a material effect on the Group's financial statements.

3. FAIR VALUE 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.

Disclosures of level in fair value hierarchy at 30 June 2021:

Financial instruments	Fair value as at **30 June 2021** *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)	**Fair vale hierarchy**	**Valuation technique(s) and key input(s)**
Financial asset at FVTPL				
— listed equity securities	**650**	149	Level 1	Quoted price in an active market

4. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers recognised at a point in time		
Disaggregated by major products or service line		
— Cross-border trading of nutrition food and health care products	**352,116**	100,887
— Online marketing and other consultancy service income	**67,425**	–
	419,541	100,887
Revenue from other sources		
— Interest income from provision of finance leasing services	**2,833**	2,487
	422,374	103,374

5. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operation decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Provision of finance leasing and consultancy services — finance leasing business (earning interest income and handling fee and consultancy fee), and purchasing of leased assets.

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

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Segment revenue and results

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

For the six months ended 30 June 2021

	Cross-border trading business — nutritional food and health care products *HK$'000* (Unaudited)	Provision of finance leasing and consultancy services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue	**419,022**	**3,352**	**422,374**
Segment profit	**25,100**	**437**	**25,537**
Unallocated operating income			**62**
Change in fair value of financial asset at fair value through profit or loss			**501**
Administrative and other expenses			**(5,029)**
Finance cost			**(2,963)**
Profit before taxation			**18,108**

For the six months ended 30 June 2020

	Cross-border trading business — nutritional food and health care products *HK$'000* (Unaudited)	Provision of finance leasing and consultancy services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue	100,887	2,487	103,374
Segment profit	4,888	495	5,383
Unallocated operating income			8
Change in fair value of financial asset at fair value through profit or loss			(103)
Administrative and other expenses			(8,182)
Finance cost			(5,083)
Loss before taxation			(7,977)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of financial asset at fair value through profit or loss, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other expenses 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:

	At 30 June 2021 ***HK$'000*** **(Unaudited)**	At 31 December 2020 *HK$'000* (Audited)
Segment assets		
Cross-border trading business of nutritional food and healthcare products	**356,296**	254,400
Finance leasing and consultancy services business	**33,764**	55,637
Unallocated corporate assets	**86,491**	70,985
Consolidated assets	**476,551**	381,022
Segment liabilities		
Cross-border trading business of nutritional food and healthcare products	**261,217**	189,109
Finance leasing and consultancy services business	**3,854**	9,768
Unallocated corporate liabilities	**124,566**	116,884
Consolidated liabilities	**389,637**	315,761

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 fair value through profit or loss, income tax recoverable and other assets for corporate use including certain plant and equipment, certain 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, income tax payables, corporate bonds, promissory notes, convertible bonds and certain lease liabilities which were managed in a centralised manner.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. The Group's information about its non-current assets based on the geographical location of the assets is detailed below:

	Revenue from external customers		**Non-current assets (Note)**	
	At 30 June 2021	At 30 June 2020	**At 30 June 2021**	At 31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC	**70,258**	2,487	**10,539**	9,321
Hong Kong	**352,116**	100,887	**2,453**	2,424
	422,374	103,374	**12,992**	11,745

Note: Non-current assets excluded financial lease receivables.

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
— loan from the ultimate holding company	**–**	2,368
— bank and other borrowings interest	**56**	–
— convertible bonds	**2,116**	1,895
— promissory notes	**260**	150
— lease liabilities	**51**	202
— corporate bonds	**480**	468
	2,963	5,083

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**1,365**	132
	1,365	132

(i) The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% during the six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%).

Under the two-tiered Profits Tax Regime, 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 six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%).

(ii) 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.

8. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**645**	483
Depreciation of right-of-use assets	**526**	1,570
Unrealised loss on financial asset at fair value through profit or loss	**(501)**	103

9. DIVIDEND

No dividend was paid, declared or proposed during the reporting period ended 30 June 2021, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2020: nil).

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.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings/(loss):		
— Earnings/(loss) for the period attributable to owners of the Company	**14,686**	(8,109)
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**982,000,000**	982,000,000

Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 June 2021 and 2020 in respect of dilution as the effect of outstanding convertible bonds are anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2021, the Group incurred approximately HK$Nil (six months ended 30 June 2020: approximately HK$nil) on the acquisition of property, plant and equipment. Net carrying value of property, plant and equipment being disposed for the period was approximately HK$nil (six months ended 30 June 2020: approximately HK$nil).

12. INTEREST IN A JOINT VENTURE

As at 30 June 2021 and 31 December 2020, the Group had interest in the following joint venture:

Name of entity	Form of entity	Place of establishment	Registered capital	Proportion of ownership interests or participating shares held by the Group		Principal activities
				30 June 2021	31 December 2020	
Hebao (Shenzhen) Information Technology Limited* (荷包(深圳)信息科技有限公司) ("Hebao")	Incorporated	The PRC	Ordinary, RMB20,000,000	**49%**	49%	Inactive

* *English name is for identification purpose.*

As at 30 June 2021 and up to the date of this announcement, no capital was injected to Hebao by the Group.

13. FINANCE LEASE RECEIVABLES

Finance lease receivable represents relevant finance lease agreements entered into by the Group's subsidiary Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd. with its lessees. Effective interest rates of the finance lease ranged from 13% to 16%. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

As at 30 June 2021, the outstanding portion of the relevant lease contracts entered into of approximately HK$28,538,000 (31 December 2020: HK$46,617,000) were ages within 3–5 years (31 December 2020: 3–5 years).

Finance lease receivables are secured by the leased assets and customer's deposits as at 30 June 2021 (31 December 2020: leased assets and customer's deposits).

The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 *HK$'000* **(Unaudited)**	At 31 December 2020 *HK$'000* (Audited)
Trade receivables	**338,434**	253,320
Less: allowance for impairment losses	**(2,623)**	(2,621)
	335,811	250,699
Other receivables	**19,502**	15,113
Less: allowance for impairment losses	**(1,143)**	(1,128)
	18,359	13,985
Deposits and prepayments *(note)*	**56,594**	55,143
Less: allowance for impairment losses	**(760)**	(724)
	55,834	54,419
	410,004	319,103

Note: At 30 June 2021, deposits amounted to approximately HK$1,203,000 (31 December 2020: Nil) represents security deposits placed to Guomao Yingtai Finance Leasing (Xiamen) Company ("Guomao Leasing") for the Company's finance leasing business. Details of which are disclosed in note 25(ii) to the unaudited consolidated financial statements.

An ageing of trade receivables, based on the invoice date, and net of allowance, is as follows:

	At 30 June 2021 *HK$'000* **(Unaudited)**	At 31 December 2020 *HK$'000* (Audited)
0–30 days	**40,639**	35,094
31–60 days	**72,910**	43,130
Over 60 days	**222,262**	172,475
	335,811	250,699

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

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

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of period/year	**2,621**	1,136
Impairment losses recognised for the period/year	**2**	1,477
At the end of period/year	**2,623**	2,621

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

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

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of period/year	**1,128**	1,096
Impairment losses recognised for the period/year	**15**	14
At the end of period/year	**1,143**	1,128

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:

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of period/year	**724**	415
Impairment losses recognised for the period/year	**–**	309
Exchange realignment	**36**	–
At the end of period/year	**760**	724

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss include:

	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Audited)
Financial asset at fair value through profit or loss		
— Equity securities listed in Hong Kong	**650**	149

16. BANK BALANCES AND CASH

The bank balances and cash amounted to approximately HK$11,230,000 (31 December 2020: HK$11,738,000) comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the six months ended 30 June 2021 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (six months ended 30 June 2020: 0.001% to 0.4% per annum).

17. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Audited)
Non-current		
Security deposit for finance lease receivables	**1,940**	1,915
Current		
Trade payables	**241,100**	182,803
Other payables	**18,566**	13,834
Security deposit for finance lease receivables	**1,813**	2,001
Interest payable	**700**	700
Value added tax payables	**665**	1,393
	262,844	200,731

An ageing of trade payables, based on the invoice date, and net of allowance, is as follows:

	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Audited)
0–30 days	**44,067**	32,859
31–60 days	**67,253**	37,397
Over 60 days	**129,780**	112,547
	241,100	182,803

18. LEASE LIABILITIES

	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Unaudited)
Analysed for reporting purposes at:		
Current liability	**293**	1,452
Non-current liability	**71**	1,120
	364	2,572

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Unaudited)	At 30 June 2021 HK$'000 (Unaudited)	At 31 December 2020 HK$'000 (Unaudited)
Amounts payable under finance lease				
Within one year	**295**	1,536	**293**	1,452
More than one year but less than two years	**71**	1,143	**71**	1,120
More than two years but less than five years	**–**	–	**–**	–
After five years	**–**	–	**–**	–
	366	2,679	**364**	2,572
Less: future finance charges	**(2)**	(107)	**N/A**	N/A
Present value of obligation under finance lease	**364**	2,572	**364**	2,572
Less: amount due for settlement within 12 months (shown under current liabilities)			**293**	1,452
Amount due for settlement after 12 months			**71**	1,120

19. LOAN FROM THE ULTIMATE HOLDING COMPANY

	At 30 June 2021 *HK$'000* (Unaudited)	At 31 December 2020 *HK$'000* (Audited)
Unsecured:		
Other borrowings payable within one year (Note i)	**50,000**	50,000

Notes:

(i) As at 30 June 2021, The fixed interest rate of the loan from the ultimate holding company is 9.5% (31 December 2020: 9.5%) per annum. Pursuant to a supplemented loan agreement dated on 29 October 2020, interest charge of loan from the ultimate holding company from May 2018 to 30 June 2022 to be conditionally waived. Further details are disclosed in note 25 to the unaudited consolidated financial statements.

(ii) As at 30 June 2021, approximately HK$50,000,000 (31 December 2020: HK$50,000,000) of loan from the ultimate holding company was denominated in HK$ which is not the functional currency of the relevant Group entity and exposed the Group to foreign currency risk.

20. BANK BORROWINGS

As at 30 June 2021, the Group's bank borrowings are denominated in RMB, repayable in one year and bearing a fixed interest of 4.55% per annum.

As at 30 June 2021, the Group' bank borrowings are secured by personal guarantee up to RMB1,500,000, provided by a director of a subsidiary.

21. PROMISSORY NOTES

On 12 March 2021 and 15 April 2021, the Group issued an unlisted promissory notes with principal amount of HK$3,000,000 and HK$9,000,000 bearing an interest rate of 4% and 3% per annum respectively. The effective interest rate applied to promissory notes is 2.96%.

	HK$'000
At 1 January 2020	10,167
Imputed interest charged	301
At 31 December 2020 and 1 January 2021	10,468
Principal amount of promissory notes raised	12,000
Imputed interest charged	260
At 30 June 2021	22,728

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

22. CORPORATE BONDS

As at 30 June 2021, the issued unlisted Corporate Bonds remains at the balance of HK$10,000,000 (31 December 2020: HK$10,000,000), bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month from the date of their issues.

23. CONVERTIBLE BONDS

On 24 June 2019, the Company completed the issuance of convertible bonds with face value of HK$39,000,000 ("CB") to an independent third party. The holder of CB is entitled to convert the CB into ordinary shares of the Company at the conversion price of HK$0.2 per ordinary share at any time between the date of issue of the CB and 24 June 2022. The CB bear interest of 5% which will be paid on the maturity date or, if earlier, upon conversion or redemption of the CB.

The interest charged is calculated by applying an effective interest rate of 11.49% to the liability component of the CB.

The directors estimate the fair value of the liability component of the CB at 30 June 2021 approximately to be its fair value which has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

24. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.005 each as at 31 December 2020 and 30 June 2021	20,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.005 each as at 31 December 2020 and 30 June 2021	982,000	4,910

There were no changes in the issued capital of the Company during the period from 31 December 2020 to 30 June 2021.

25. CONTINGENT LIABILITIES

(i) 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 probability of which cannot be ascertained reliably as at 30 June 2021. Thus, no interest on the Shareholder's Loan had been provided during the period. However, interest of approximately HK$10,353,000 so accrued on the Shareholder's Loan for the period from May 2018 to 30 June 2021 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.

(ii) Guarantee under master cooperation agreement with Guomao Leasing (the "Master Cooperation Agreement")

Pursuant to the Master Cooperation Agreement and the Supplemental Agreement, the following security deposit, surety and guarantees are provided to Guomao Leasing for facilities granted to Shenzhen Rongzheng Yigan Car Leasing Limited Company ("Shenzhen Rongzheng"), a 51% indirectly owned subsidiary of the Company, for supporting the Group's provision of finance leasing and consultancy services in finance leasing business.

(a) RMB2,000,000 security deposit placed by Shenzhen Rongzheng;

(b) Business surety provided by Shenzhen Rongzheng which is calculated on 5% of the agreed lease payments under each leasing contract;

(c) A charge created over a property located in the PRC owned by a wholly owned subsidiary of a corporate shareholder of Shenzhen Rongzheng; and

(d) Joint liability guarantee provided by a corporate shareholder of Shenzhen Rongzheng and other individuals.

The maximum liability of guarantee jointly provided by the Company, its subsidiary and the corporate shareholder of Shenzhen Rongzheng in favour of Guomao Leasing, is capped at RMB10,000,000.

Details of the above are disclosed in the Company's announcements dated 13 January 2021 and 4 February 2021.

26. CAPITAL COMMITMENT

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of contracted commitments for contribution to the joint venture equivalent to RMB9,800,000	**11,789**	11,640

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The Group entered into the following significant transactions with related parties during the period:

The remuneration of key management personnel during the two periods ended 30 June 2020 and 2019 were as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**1,060**	882
Post-employment benefits	**21**	27
	1,081	909

The remuneration of the directors and key management personnel is determined by the Board having regards to the performance of individuals and market trends.

For the six months ended 30 June 2021, there were no other related parties transaction, that had to be disclosed as defined in Chapter 14A of the Listing Rules.

28. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of all the shareholders of the Company passed on 11 October 2011. The Scheme operates for the 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 associates 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 (the "Scheme Mandate Limit") unless approved by the shareholders of the Company. 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 options 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.

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 interim period.

29. EVENT AFTER REPORTING PERIOD

The Group is exploring opportunities for expanding and enriching the scope of the cross border trading business. Announcement will be made as and when appropriate.

In July 2021, the Company issued a promissory note in principal amount of HK$12,000,000 with an interest rate of 3% per annum and a maturity of 1 year which can be extended to another 1 year with mutual written consent to an independent third party.

Save for disclosed herein, no other significant event is noted after reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Cross-Border Trading Business — nutrition food and health care products

Trading of goods has been one of the principal business of the Group since 2011. Significant expansions and achievements have been made to the Cross-Border Trading Business since 2019.

As the impact from the spread of COVID-19 continues to disrupt the world economy, 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 to boost each other. Against this backdrop, it is expected that expansion and upgrading of the PRC 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 COVID-19 swept across China, CBEC imports, providing China 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 CBEC totalled RMB1.69 trillion 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, CBEC has played a key role in supplying daily necessities to customers in China as well as keeping the global supply chains going. The spread of COVID-19 has accelerated the growth of CBEC in China and cross-border trading has become an important channel for PRC 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. Compared with traditional cross border trading, CBEC makes use of big data and cloud computing technology to improve consumer’s shopping experience and provide real-time accurate sales analysis. In order to meet the demand for more personalised products and to cope with the market changes within a short time frame, the ability to use digitalised analytics and computing tools to keep abreast of the market is one of the key factors to success. To cater for the evolving trend, it is crucial for the Group to keep abreast of times and inevitably the Group will need to steer its focus from traditional trading towards online trading to adapt to customers’ needs.

Leveraging on its close proximity to China and the duty free policy imposed on most imported goods, Hong Kong is undoubtedly an ideal location for the storage of imported goods before they enter China and plays a significant role in the CBEC and cross-border trading retail imports market with China. Under the “dual circulation” economic growth model, the PRC consumer market for imported goods will continue to develop. As China expands and liberalises its markets, Hong Kong is bound to share the benefits of the growing CBEC and cross-border trading retail imports trade. Being well positioned in Hong Kong as well as possessing the one-stop customs clearance services as elaborated below, the Directors are of the view that it is a good time to capture the opportunity to enter into the PRC market directly through the expansion of its Cross-Border Trading Business.

Adoption of digitalised supply chain service of Cross-Border Trading

On 3 September 2020, Shenzhen No. 7 Yanghang E-commerce Company Limited* (深圳七號洋行電子商務有限公司)("No. 7"), as the vendor, Shenzhen Zhengyuan Supply Chain Company Limited* (深圳市正原供應鏈有限公司) ("Shenzhen Zhengyuan"), a wholly-owned subsidiary of the Company, as the purchaser, and Shenzhen Yueyang Supply Chain Management Company Limited* (深圳越洋供應鏈管理有限公司) ("Shenzhen Yueyang"), which is a wholly-owned subsidiary of the vendor, entered into the sale and purchase agreement in relation to the sale of the entire equity interest of Shenzhen Yueyang to Shenzhen Zhengyuan.

Shenzhen Yueyang is a company established in the PRC with limited liability and is principally engaged in online business activities, research and development of e-commerce platform network technology, online business information consultation, domestic trade and wholesale and sales of food. Shenzhen Yueyang has a comprehensive cross-border ecommerce platform, which supports imported supply chain services and information technology services.

Following completion of the acquisition of Shenzhen Yueyang, the Group now has its own online trading platform integrating overseas direct procurement, import and export supply chain management, order routing and interfacing with a considerable number of online and offline trading systems, big data and cloud computing and product promotion and distribution. The Group's imported nutrition food and health care products are delivered to and stored at the bonded warehouses of the Group located at Free Trade Zones in China, where the Group possesses a system which is automatically linked directly to the PRC Custom and Exercise Department for conducting clearance and delivery of shipments, thus enabling the Group to provide complete one-stop customs clearance services. Such one-stop customs clearance services significantly increased the efficiency of importing products into the PRC and simplifies the administrative and custom clearance process for the Group's suppliers and customers.

With the gradual expansion of the Cross-Border Trading Business and the recent increase in demand for the Group's products in the PRC due to the travel restrictions as a result of the COVID-19, it is important for the Group to secure stable import services into the PRC. The acquisition of the equity interest of Shenzhen Yueyang provides the opportunity for the Group to create a complete one stop service for the import of its nutrition food and health care products in the PRC, including but not limited to overseas pick-up and customs clearance, transport between the PRC and Hong Kong, bonded customs declaration and inspection, bonded warehousing, order routing, customs clearance for goods entering into the PRC border and delivery of goods in the PRC. This will enhance the competitive edge of the Group as the Group is now able to expedite the cross-border trading logistic and the administrative and custom clearance process which make cross-border trading more efficient.

Bonded warehousing

The bonded warehouse network in China has been the major force driving the smooth operation of CBEC retail imports since the outbreak of COVID-19 in 2020. With the policy support given by the PRC Government in the past years, many mainland cities now have advanced bonded warehousing facilities where importers can store their goods before undergoing customs clearance. During the COVID-19 lockdown, the storage of the consumer goods at the bonded warehouses of the Group located at Free Trade Zones has enabled the Group to continue to deliver consumer products to its customers in the PRC and due to the close proximity of such warehouses to Hong Kong, the Group has been able to replenish the stocks into the bonded warehouses from time to time to meet customer demands.

The Group previously relied solely on the bonded warehouse of the Group located at Futian Free Trade Zone in Shenzhen. To cater for the increasing business volume and expansion plan, in addition to the bonded warehouse located in Shenzhen, the Company had also recently set up two warehouses, a tax-free warehouse in Yiwu, Central Zhejiang Province with an area of 1,383 square meters and a logistics warehouse in Nanchang, Jiangxi Province with an area of 1,329 square meters. The warehouses are strategically placed to optimise the geographical coverage of and to strengthen the Group's presence and market share in the South Central China and East China regions. Since their commencement of operation, the Group has been transporting consumer products for storage at these bonded warehouses. Once customers have placed orders, the Group will immediately dispatch the ordered products in the form of direct purchase to the customers. Storing products in bonded warehouses in China can offer greater flexibility as well as lowering the warehousing costs for the Group.

With the warehouses tactically located as part of the logistics planning and strategy of the Group, not only will the Group be able to bring in and serve more customers from wider geographical areas, the Company will also be able to benefit from the policy support given by the PRC Government as well as the lower warehousing costs in China. Furthermore, it is also anticipated that the delivery time and transportation costs to customers will also correspondingly decrease, which the Company believes will have the dual benefit of enhancing customer satisfaction and cost saving to the Group.

Co-operation with CBEC platforms to lower cost

With outbound travel restricted, CBEC platforms like Tmall Global have become the preferred channel for purchasing imported goods. Customers can luxuriously enjoy purchasing items from the comfort of their own homes or work place at any time of the day with delivery to their doors. Due to the increasing popularity and demand, the types of imported products have also become more diverse since the outbreak of COVID-19. The sales of low-sugar snack, probiotic health food, home beauty devices, trendy fashion and accessories have all grown considerably and it is foreseeable that CBEC will continue to play an important role in the supply chain of the mainland consumer market in the future.

Apart from setting up an online store on No. 7's platform, co-operation with CBEC platforms can also offer an alternative "business to business to consumer" sales model in addition to the traditional e-commerce.

Expansion of product variety and customer base

The acquisition of Shenzhen Yueyang enabled the Group to provide one stop services for importing products into the PRC and opens up business opportunities for the Group and suppliers to further penetrate into the PRC market. With the launch of its own online platform, the Group is now able to showcase its products on the online platform to the global audience as well as gather direct feedback from customers through tracking customer purchases. The availability of such data is essential to assist the Group in improving its offerings and stay abreast of the buying trend of customers. The creation of the online platform has also enhanced the publicity of the Group and has enabled the Group to reach out to more suppliers to further broaden its products portfolio.

Currently, the Group cooperates with a number of well established and renowned suppliers of a vast variety of products, ranging from skin care, body care, food and beverage, cosmetic products and fragrances. Renowned brands products are highly sought after in China and as consumers' demand increases, the opportunity for the market to offer a more diversified products offering also correspondingly increases. Through the data collected from the online sales, the Group will be able to assess the demand and popularity of the showcased products and from time to time restructure its product mix to bring it in line to meet customers demands. The Group will place greater focus on the data collected to assist in its understanding of consumer preferences, which will impact on the decision-making process of the Group at various stages in the operation of the Cross-Border Trading Business. For products receiving great demand or with growth potential, the Group will also put in additional effort to promote the products and negotiate to become the authorised distributor of such products. The Directors are of the view that the Group can leverage on the data collected from customers and devise precise marketing strategies, including promoting products through channels and other social media with wider range of audiences, and test out the target market for its products to match customers demand.

To further broaden the product line of the Cross-Border Trading Business and to address the increasing market demand for quality health care products, on 31 December 2020, Dailuyang has entered into a distribution agreement with Japan Hadajibi for the sale and distribution of Japan health care products under the brand name "肌爾美" ("Jiermei") for a term of two years commencing from 1 January 2021. Jiermei positioned itself as a high-quality brand with emphasis that all products are made in Japan and are targeted at middle class customers with increasing concern over the safety and quality of products. The Jiermei products have already been launched on the Group's online platform, which are available for sale to retail customers as well as wholesale to distributors in Hong Kong and PRC. Advertisements are also being launched on various online platforms such as Baidu (百度), which will increase Jiermei's publicity and the Group is optimistic about the prospect of this product brand. With the addition of the Jiermei products to the Group's product portfolio, the Group will be able to further diversify its income stream and bring in more revenue to the Group.

The cooperation with Japan Hadajibi represents some of the products which the Group has successfully secured in 2020. The Group is still constantly in search for opportunities to further diversify the product mix and spectrum of the Cross-Border Trading Business including but not limited to 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 offer a wider variety of products to its customers thereby, increasing the revenue of the Group.

We commenced the sole distribution of Jiermei in early 2021 and successfully generated revenue of approximately HK$19.6 million for the six months ended 30 June 2021.

As part of the Group's expansion plan to increase sales volume and revenue, it is also crucial for the Group to broaden its customer base. Since the launch of the Group's products on No. 7's platform, the customer base of the Group has already been extended to capture the audience with access to No. 7 platform in the PRC. To further deepen the Group's presence and widen its exposure in the PRC, the Group has successfully launched its products, in particular Jiermei's products, on various CBEC online platforms. With the significant customer base behind these online platforms and given the online platforms operate 24 hours a day, seven days a week, the Directors believe that immense amount of business opportunities can be derived from such cooperations.

Provision of online marketing services

Following completion of the acquisition of Shenzhen Yueyang, the Group now possesses the ability to conduct online business activities, research and development of e-commerce platform network technology, online business information consultation, and domestic trade and wholesale and sales of food. With focus on expanding sales of the Group's products through online platforms, online marketing forms an essential and indispensable part of the Cross-Border Trading Business. In 2019, Shenzhen Zhengyuan, together with an independent third party with extensive experience in provision of online marketing services, set up Keshi Zhituo Information Technology Co., Ltd* (喀什智拓信息科技有限責任公司) ("Zhituo"), a non-wholly-owned subsidiary of the Group. Zhituo is principally engaged in provision of consultancy services in relation to online marketing services.

The Directors are of the view that the establishment of Zhituo will enable the Group to provide value-added services to the Group's suppliers through provision of professional advice and specifically tailored online marketing strategies to achieve brand building and promotion of products and/or services on different online platforms such as Baidu (百度).

Zhituo is currently responsible for the online promotion and marketing of Jiermei through Baidu (百度) and acts as a facilitator on different online platforms.

The establishment of Zhituo will also enable the Group to provide value-added services to the Group's suppliers through provision of professional advice and specifically tailored online marketing strategies to achieve brand building and promotion of products and/or services on different online platforms.

We generated revenue of approximately HK$66.4 million from online marketing services for the six months ended 30 June 2021.

The Group is constantly in search for suppliers to expand its product offerings and customer base. Up to the date of this announcement, the Group successfully secured sale and distribution of a range of Japan health care products under the brand name "肌爾美". Due to the continuing travel restrictions around the world, the Group foresees an increase in demand for foreign branded products. The Group will continue to explore opportunities to import quality foreign branded products into the PRC market and thereby further enrich its product offerings.

With the launch of the Group's products on No. 7's platform, the customer base of the Group has been extended to capture any audience with access to No. 7 platform in the PRC. Not only does it allow the Group to expand its sales beyond local customers, given the online platform operates 24 hours a day, seven days a week, the sales opportunities also correspondingly increase.

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 and aims to devote more resources to the development of its Finance Leasing Business to increase the finance lease income when opportunities arise. The Finance Leasing Business can be categorised into two categories, being (i) direct finance leasing; and (ii) sale and leaseback.

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.

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.

The Finance Leasing Business is a capital-intensive business. The Company has been actively looking for opportunities to expand the Finance Leasing Business, including but not limited to looking for business partners who can provide the Group with finance to expand its business.

To expand its Finance Leasing Business, on 24 September 2020, Shenzhen Zhengyuan, an indirect wholly owned subsidiary of the Company, entered into a cooperation agreement with Shenzhen Rongda Automobile Services Co., Ltd* (深圳融達汽車服務有限公司) ("Shenzhen Rongda") to form a joint venture (the "Joint Venture") 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 Joint Venture, the Group was tapping into the vehicle financing business. Target customers of the Joint Venture are mainly car dealers. Up to 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.

As announced by the Company on 13 January 2021 and 4 February 2021, the Joint Venture and Guomao Leasing entered into a master cooperation agreement on 13 January 2021, pursuant to which the Joint Venture 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 (the "Master Cooperation Agreement"). The entering into of the Master Cooperation Agreement can strengthen the financial resources of the Group to facilitate the development of the Group's automobiles finance leasing services in the PRC and further enhance the growth of the Group's Finance Leasing Business.

Apart from tapping into the vehicle financing business, which the Directors believe this will have a positive impact on the Finance Leasing Business, the Group continued to focus on providing lease finance for medical equipment for public hospitals and community health centres in the PRC as well as medical equipment suppliers. The Group has established good relationship with its customers and they will approach the Group for lease finance arrangements for their medical equipment when the need arises. Customers usually either approach the Group directly or through recommendations of medical equipment suppliers.

Value of lease finance contracts of the Group ranges from RMB1 million to RMB18 million, and most of the lease finance contracts valued between RMB1 million to RMB3 million. Due to the lack of funds, the Group has not been able to capture business opportunities from existing clients or new clients referred by the medical equipment suppliers in the past. It is therefore crucial for the Group to secure new and ongoing source of funding.

The Group has also been in discussions with a number of financial institutions that have shown interest in collaborating with the Group in relation to the potential cooperation to provide funding for the Finance Leasing Business. The cooperation will involve the Group and the financial institution conducting due diligence on the customer simultaneously so as to provide opportunity for the financial institution to properly assess the customer. As the financial institution will already have completed the due diligence and have sufficient knowledge of the customer as well as the subject of the lease through their own due diligence exercise, it will facilitate the Group's subsequent pledging of the underlying asset to the financial institution and expedite the approval process of the financial institution in granting further funding to the Group.

The additional funds will enable the Group to undertake new contracts so that the Group will generate interest income from a sizeable pool of lease finance contracts at all material time. As increase in number of lease finance contracts will not result in a proportionate increase in related costs, this will also enhance the profit margin of the Finance Leasing Business of the Group.

With the additional funds, the Group will be able to expand the Finance Leasing Business into industrial sectors with higher profit margin than the medical equipment sector, thereby potentially further increasing its profit margin and expanding its customer base.

Enhancement in the financial performance of the Finance Leasing Business also enables the Group to obtain external financing from financial institutions to fund its future business without having to rely on loans from shareholders and funds raised through issues of bonds and borrowings from external third parties which bear higher interest rates.

Financial Performance

For the six months ended 30 June 2021, the principal businesses of the Group recorded a revenue of approximately HK$422,374,000, showing an increase of approximately 308.6% as compared with the corresponding period in last year which was mainly contributed by the cross-border trading — nutrition food and health care products.

For the six months ended 30 June 2021, the Cross-Border trading business — nutrition food and health care products segment recorded a segment profit of approximately HK$25,100,000, showing an increase of approximately 413.5% as compared with the corresponding period in last year. The increase in revenue of cross-border trading business — nutrition food and health care products segment was mainly due to the Group expanded cross-border trading of nutritional products and health care products.

For the six months ended 30 June 2021, the finance leasing segment recorded a segment profit of approximately HK$437,000 comparing with segment profit of approximately HK$495,000 in last corresponding period.

OUTLOOK

In the first half year of 2021, the Group has improved revenue, gross profit and turned the net loss to net profit for the period as compared with that of 2020 despite of the hit of COVID-19 and the economic downturn. The Group will continue to use its best endeavour to diversify the products, suppliers and funding channels to enhance the source of income and implement cost saving measures to improve the profitability and financial position of the Group.

However, the future execution may be subject to capital investment, human resources constraints, COVID-19 and economic environment. The Group will strive to improve its profitability and financial position but the plans and performance of the Group may also be hindered by other factors beyond the Group's control, such as the general market conditions, the development of the financing lease industry, trading industry and e-commerce industry, rules and regulations, and the economic and political environment of Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group recorded total assets of approximately HK$476,551,000 which were financed by internal resources of approximately HK$86,914,000 and liabilities of approximately HK$389,637,000. The Group had total cash and bank balances of approximately HK$11,230,000. The current ratio (current assets divided by current liabilities) of the Group increased from 1.33 times as at 31 December 2020 to 1.39 times as at 30 June 2021. As at 30 June 2021, the Group did not have any deposit pledged to secure bank overdrafts, short-term bank loans and unused banking facilities. The Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2021, the borrowings were mainly denominated in Hong Kong dollars ("HK$"), while the cash and cash equivalents held by the Group were mainly denominated in HK$, Renminbi ("RMB") and United States dollars ("US$"). All of the company's borrowings are on a fixed rate basis.

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 "PN"). The net proceeds of approximately HK$10 million was intended to be used for working capital. As at 30 June 2021, approximately HK$10 million was used as working capital as intended and the maturity of the PN had been extended to another 2 years to June 2023.

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 30 June 2021, approximately HK$15 million and HK$12 million of the net proceeds were utilised for repayment of the shareholder's loan and working capital respectively. As at 30 June 2021, no share was converted.

In March 2021, the Company issued a promissory note in principal amount of HK$3,000,000 with an interest rate of 4% per annum and a maturity of 2 years to an independent third party. The proceeds of approximately HK$3 million was intended to be used for working capital and/or repaying liabilities. As at the date of this announcement, approximately HK$3 million was used as intended.

In April 2021, the Company issued a promissory note in principal amount of HK$9,000,000 with an interest rate of 3% per annum and a maturity of 1 year which can be extended to another 1 year with mutual written consent to an independent third party. The proceeds of approximately HK$9 million was intended to be used for working capital and/or repaying liabilities. As at the date of this announcement, approximately HK$9 million was used as intended.

In July 2021, the Company issued a promissory note in principal amount of HK$12,000,000 with an interest rate of 3% per annum and a maturity of 1 year which can be extended to another 1 year with mutual written consent to an independent third party. The proceeds of approximately HK$12 million was intended to be used for working capital and/or repaying liabilities. As at the date of this announcement, approximately HK$1 million was used as intended.

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, for example, credit facilities from financial institutions.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 25 to the unaudited consolidated financial statements.

GEARING RATIO

The gearing ratio was 26.1% as at 30 June 2021 (31 December 2020: 28.8%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding period.

FOREIGN EXCHANGE EXPOSURE AND INTEREST RATE RISK

The Group continued to manage and monitor its interest rate and currency exchange risks exposure to ensure appropriate measures are implemented on timely and effective manner. The major borrowings of the Group carry interest at fixed rates.

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.

CREDIT POLICY

Regarding the credit risk on finance lease receivables, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. The Group also demands certain finance lease borrowers to pledge further collaterals with the Group apart from the subject leased assets at the time the finance lease arrangement is entered into where considered necessary. In addition, the Group would also monitor the repayment history of finance lease payments from each finance lease lessee with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

CAPITAL EXPENDITURE

For the six months ended 30 June 2021, the Group did not incur addition of property, plant and equipment (six months ended 30 June 2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$11.8 million (31 December 2020: HK$11.6 million).

CHARGES ON ASSETS

As at 30 June 2021, save as the HK$1,203,000 security deposits placed as disclosed in note 14 and 25(ii) to the unaudited consolidated financial statements, the Group does not have assets subjected to charges for securing obligations under finance lease (31 December 2020: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group has a total workforce of approximately 40 employees (31 December 2020: 32) in Hong Kong and the PRC. Remuneration policies of the Group and the current market condition with salaries and wages were being reviewed on an annual basis. The Group also provided discretionary bonus, medical insurance, training programs, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the six months ended 30 June 2020, no share options were granted by the Company since the adoption of the Scheme.

SIGNIFICANT INVESTMENT HELD

Except for disclosed in Business Review and the investment in subsidiaries, during the six months ended 30 June 2021 and as at the date of this announcement, the Group did not hold any significant investment in equity interest in any company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2021 and up to the date of this announcement, the Group is exploring opportunities for the benefit of the cross border trading business. Announcement will be made as and when appropriate. Save for disclosed elsewhere in this announcement, the Group does not have material acquisitions and disposals of subsidiaries and affiliated companies.

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 Rules (effective from 1 October 2019) to warrant the continued listing of its shares. 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 (the "Rehearing").

The Rehearing was held on 28 June 2021. On 23 July 2021 (after trading hours), the Company received a letter from the Listing Committee which stated that it decided to uphold the Listing Division's decision as the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 to warrant the continued listing of its shares, and that trading in the Company's shares be suspended under Rule 6.01(3) (the "Decision"). The Company has applied for a review of the Decision. The hearing by the Listing Review Committee will be held on 30 September 2021.

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 capital assets 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 or investments 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 this regard, the Company will publish announcement as and when appropriate according to applicable rules and regulations.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: nil).

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 period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2021, the Company had complied with the applicable Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Code of Conduct during the six months ended 30 June 2021.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company during the period under review.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Following the resignation of Mr. Yeh Tung Ming ("**Mr. Yeh**") on 31 July 2021, the then number of independent non-executive Directors is less than three as required under Rule 3.10(1) of the Listing Rules.

Mr. Yeh was also a member of the Audit Committee, and a member of the Nomination Committee and the chairman of the Remuneration Committee of the Company. Following Mr. Yeh's resignation, the Board was unable to fulfil the requirement of having a minimum of three members on the Audit Committee under Rule 3.21 of the Listing Rules.

On 27 August 2021, Mr. Man Wai Lun ("**Mr. Man**") was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee of the Company ("**Mr. Man's Appointment**"). Following Mr. Man's Appointment, the number of independent non-executive Directors complies with Rule 3.10(1) of the Listing Rules. Also, the Company fulfils the requirement of having a minimum of three members on the Audit Committee under Rule 3.21 of the Listing Rules.

As at the date of this announcement, the Company had complied with Rules 3.10(1) and 3.21 of the Listing Rules after Mr. Man's Appointment.

AUDIT COMMITTEE

The Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 and discussed with the senior management the internal control, risk management and financial reporting matters as well as the accounting principles and practices adopted by the Group in relation to the preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021.

By Order of the Board
Momentum Financial Holdings Limited
Liu Xin Chen
Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises three executive directors of the Company, namely, Mr. Ng Hoi, Mr. Liu Xin Chen and Mr. Chu Kin Wang Peleus; and three independent non-executive directors of the Company, namely, Mr. Li Guang Jian, Mr. Man Wai Lun and Mr. Wong Lap Wai.

* *For identification purpose only*