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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 2018

The board (the “Board”) of directors (the “Directors”) of Momentum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited) (the “Company”) (collectively refer to as the “Group”) would like to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2018 (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 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	3	137,647	77,150
Cost of sales		<u>(130,451)</u>	<u>(70,252)</u>
Gross profit		7,196	6,898
Other operating income	5	911	8,518
Gain on disposal of a subsidiary		—	19,674
Change in fair value of financial asset at fair value through profit or loss/held-for-trading investment		(479)	(3,249)
Selling and distribution expenses		(467)	(609)
Administrative and other expenses		(21,805)	(25,945)
Finance costs	6	<u>(6,878)</u>	<u>(16,123)</u>
Loss before taxation		(21,522)	(10,836)
Income tax expenses	7	<u>(486)</u>	<u>(72)</u>
Loss for the year	8	(22,008)	(10,908)
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(3,473)</u>	<u>6,109</u>
Total comprehensive expense for the year		<u>(25,481)</u>	<u>(4,799)</u>
Loss per share (HK cents)	9		
Basic and diluted		<u>(2.24)</u>	<u>(1.11)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		11,136	11,182
Interest in a joint venture		—	—
Finance lease receivables	<i>11</i>	<u>43,181</u>	<u>—</u>
		<u>54,317</u>	<u>11,182</u>
Current assets			
Inventories	<i>12</i>	—	7,086
Trade and other receivables	<i>13</i>	18,930	10,412
Finance lease receivables	<i>11</i>	13,739	41,631
Financial asset at fair value through profit or loss/held-for-trading investment	<i>14</i>	376	855
Income tax recoverable		844	669
Bank balances and cash	<i>15</i>	<u>72,305</u>	<u>87,308</u>
		<u>106,194</u>	<u>147,961</u>
Current liabilities			
Trade and other payables	<i>16</i>	14,502	6,751
Loan from the ultimate holding company	<i>17</i>	65,000	—
Other borrowing	<i>18</i>	—	50,000
Obligation under finance lease	<i>19</i>	278	—
Income tax payables		<u>1,176</u>	<u>701</u>
		<u>80,956</u>	<u>57,452</u>
Net current assets		<u>25,238</u>	<u>90,509</u>
Total assets less current liabilities		<u><u>79,555</u></u>	<u><u>101,691</u></u>

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current liabilities			
Other payable	<i>16</i>	2,215	—
Corporate bonds	<i>20</i>	8,908	8,708
Obligation under finance lease	<i>19</i>	930	—
		<u>12,053</u>	<u>8,708</u>
		<u>67,502</u>	<u>92,983</u>
Capital and reserves			
Share capital		4,910	4,910
Reserves		62,592	88,073
		<u>67,502</u>	<u>92,983</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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”). Its parent and ultimate parent is Triumph Hope Limited (incorporated in the British Virgin Islands). Its ultimate controlling party is Mr. Chan Chung Shu. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

A special resolution set out in a special general meeting (“SGM”) notice was duly passed by way of poll by the shareholders at the SGM held on 6 March 2018 to change the English name and Chinese secondary name of the Company from “Infinity Financial Group (Holdings) Limited 新融宇集團(控股)有限公司” to “Momentum Financial Holdings Limited 正乾金融控股有限公司” respectively with effect from 11 April 2018 (i.e. the completion date of entry of the new English name and new Chinese secondary name on the Register of Companies by the Registrar of Companies in Bermuda and the issue of Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company by the Registrar of Companies in Hong Kong).

The principal activities of the Group are the provision of finance leasing and consultancy service, trading of metal products and nutritional food 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue. Details are described below.

The transition to HKFRS 15 has no impact on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

		Carrying amount previously reported at 31 December 2017	Impact on adoption of HKFRS 15 — Reclassification	Carrying amount under HKFRS 15 as restated at 1 January 2018*
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other payables	<i>a</i>	(6,751)	2,062	(4,689)
Contract liabilities	<i>a</i>	—	(2,062)	(2,062)

* The amount in this column is before the adjustment from the application of HKFRS 9.

Note:

(a) Advances received from customers

As at 1 January 2018, the “receipt in advance” of approximately HK\$2,062,000 previously included in trade and other payables was reclassified to contract liabilities.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The adoption of HKFRS 15 has no impact on the Group’s net operating, investing and financing cash flows and on the Group’s consolidated financial statement as at 31 December 2018 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The impacts of adoption of HKFRS 9 are summarised as follows:

(i) *Classification and measurement of financial instruments*

The Directors reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(a) Listed equity investment previously classified as held-for-trading investment carried at fair value:

The Group has reassessed its listed equity investment of approximately HK\$855,000 classified as held-for-trading investment under HKAS 39 as if the Group had purchased the investment at the date of initial application. Based on the facts of circumstances as at the date of initial application, such investment was held for trading which are required to be classified as financial asset at fair value through profit or loss ("FVTPL") and continued to be measured at fair value at the end of each reporting periods with fair value gains or losses to be recognised in profit or loss.

There was no impact on the amounts recognised in relation to this asset from the application of HKFRS 9.

(ii) *Loss allowance for expected credit losses ("ECL")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

(iii) *Summary of effects arising from initial application of HKFRS 9*

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

		Carrying amount at 31 December 2017 (HKAS 39) <i>HK\$'000</i>	Impact on adoption of HKFRS 9 — Reclassification <i>HK\$'000</i>	Carrying amount under HKFRS 9 as restated at 1 January 2018* <i>HK\$'000</i>
	<i>Notes</i>			
Financial assets				
Loan and receivables				
	<i>a</i>			
— Trade and other receivables		10,412	(10,412)	—
— Finance lease receivables		41,631	(41,631)	—
— Bank balances and cash		87,308	(87,308)	—
At amortised cost				
	<i>a</i>			
— Trade and other receivables		—	10,412	10,412
— Finance lease receivables		—	41,631	41,631
— Bank balances and cash		—	87,308	87,308
Held-for-trading investment				
— Listed equity securities	<i>b</i>	855	(855)	—
Financial asset at FVTPL				
— Trading securities	<i>b</i>	<u>—</u>	<u>855</u>	<u>855</u>

* The amount in this column is before the adjustment from the application of HKFRS 15.

Notes:

- (a) As at 1 January 2018, the financial assets including finance lease receivables, trade and other receivables and bank balance and cash previously classified as loan and receivables were reclassified to financial asset at amortised cost.
- (b) As at 1 January 2018, the listed equity securities of approximately HK\$855,000 previously classified as held-for-trading investment was reclassified to financial asset at FVTPL.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2020.

³ Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁴ Effective for annual periods beginning on or after 1 January 2021.

⁵ Effective for annual periods beginning on or after a date to be determined.

3. REVENUE

Revenue represents revenue arising on provision of finance leasing and consultancy service, trading of metal products and nutritional food products for the year. An analysis of the Group's revenue for the year is as follows:

	2018 <i>HK\$'000</i>	2017* <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018		
Disaggregated by major products or service line		
— Trading of metal products	—	49,789
— Trading of nutritional food products	133,487	21,344
— Consultancy service income	3,130	—
	<hr/>	<hr/>
Revenue from other sources	136,617	71,133
— Interest income from provision of finance leasing services	1,030	6,017
	<hr/>	<hr/>
	137,647	77,150
	<hr/> <hr/>	<hr/> <hr/>

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition

	Year ended 31 December 2018 <i>HK\$'000</i>
Timing of revenue recognition	
At a point in time	133,487
Over time	3,130
	<hr/>
Total revenue from contracts with customers	136,617
	<hr/> <hr/>

4. 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. During the year ended 31 December 2018, the Group has commenced to provide consultancy service, segment of provision of finance lease services and consultancy service identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group as both segments have similar economic characteristic.

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) Trading business — metal products
- (iii) Trading business — nutritional food 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 2018

	Provision of finance leasing and consultancy service <i>HK\$'000</i>	Trading business — metal products <i>HK\$'000</i>	Trading business — nutritional food products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>4,160</u>	<u>—</u>	<u>133,487</u>	<u>137,647</u>
Segment profit	<u>1,158</u>	<u>—</u>	<u>2,637</u>	3,795
Unallocated other operating income				180
Change in fair value of financial asset at FVTPL				(479)
Unallocated expenses				(18,140)
Finance costs				<u>(6,878)</u>
Loss before taxation				<u>(21,522)</u>

For the year ended 31 December 2017

	Finance leasing <i>HK\$'000</i>	Trading business — metal products <i>HK\$'000</i>	Trading business — nutritional food products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>6,017</u>	<u>49,789</u>	<u>21,344</u>	<u>77,150</u>
Segment profit	<u>5,175</u>	<u>491</u>	<u>341</u>	6,007
Unallocated other operating income				1,751
Gain on disposal of a subsidiary				19,674
Change in fair value of held-for-trading investment				(3,249)
Unallocated expenses				(18,896)
Finance costs				<u>(16,123)</u>
Loss before taxation				<u>(10,836)</u>

Segment profit represents the profit earned by each segment without allocation of change in fair value of financial asset at FVTPL/held-for-trading investment, gain on disposal of a subsidiary, 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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trading business — nutritional food products	15,480	12,426
Finance leasing business	<u>67,130</u>	<u>54,647</u>
Total segment assets	82,610	67,073
Unallocated corporate assets	<u>77,901</u>	<u>92,070</u>
Total assets	<u>160,511</u>	<u>159,143</u>

Segment liabilities

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trading business — nutritional food products	5,171	2,062
Finance leasing business	<u>7,160</u>	<u>31</u>
Total segment liabilities	12,331	2,093
Unallocated corporate liabilities	<u>80,678</u>	<u>64,067</u>
Total liabilities	<u>93,009</u>	<u>66,160</u>

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/held-for-trading investment, income tax recoverable and other assets for corporate use including certain plant and equipment 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, other borrowing, obligation under finance lease, income tax payables and corporate bonds which were managed in a centralised manner.

5. OTHER OPERATING INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finance lease handling income	535	—
Finance lease penalty income	196	925
Bank interest income	180	467
Exchange gain, net	—	5,855
Write back of other payables	—	1,129
Others	—	142
	<u>911</u>	<u>8,518</u>

6. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on:		
— other borrowing	1,667	11,022
— loan from the ultimate holding company	4,263	—
— obligation under finance lease	48	—
Effective interest expenses on:		
— convertible bonds	—	4,049
— corporate bonds (<i>Note 20</i>)	900	1,052
	<u>6,878</u>	<u>16,123</u>

7. INCOME TAX EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	198	56
PRC Enterprise Income Tax	288	16
	<u>486</u>	<u>72</u>

- (i) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.
- (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.
- (iii) Under the EIT Law of the People’s Republic of China, enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone are eligible for a reduction of 10% of EIT rate, i.e. 15%, provided that the enterprise is engaged in projects that fall within the Catalogue for EIT Preferential Treatments of the zone.

8. LOSS FOR THE YEAR

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Loss for the year has been arrived at after charging:		
Directors’ and chief executive’s emoluments	2,402	3,993
Salaries and other allowances (excluding Directors’ and chief executive’s emoluments)	5,639	3,054
Retirement benefit scheme contributions (excluding Directors’ and chief executive’s emoluments)	<u>332</u>	<u>233</u>
Total staff costs	<u>8,373</u>	<u>7,280</u>
Auditor’s remuneration	800	760
Amount of inventories recognised as an expense	130,451	70,252
Depreciation of property, plant and equipment	1,929	3,903
Loss on written-off/disposal of property, plant and equipment	5	437
Loss on early redemption of convertible bonds	—	41
Exchange loss, net (included in administrative and other expenses)	118	—
Impairment loss recognised in respect of other receivables (included in administrative and other expenses)	701	437
Minimum lease payments in respect of operating lease for rented premises	<u>5,197</u>	<u>5,046</u>

9. LOSS PER SHARE

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(22,008)</u>	<u>(10,908)</u>

2018	2017
<i>'000</i>	<i>'000</i>

Number of shares

Weighted average number ordinary shares for the purpose of basic and diluted loss per share

<u>982,000</u>	<u>982,000</u>
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Diluted loss per share was the same as the basic loss per share for the year ended 31 December 2018 as there were no dilutive potential ordinary shares.

Diluted loss per share was the same as the basic loss per share for the year ended 31 December 2017 as the computation of diluted loss per share did not assume the conversion if the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. FINANCE LEASE RECEIVABLES

Certain of the 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.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprises:				
— Within one year	18,096	42,057	13,739	41,631
— After one year but within two years	18,504	—	15,403	—
— After two years but within five years	30,150	—	27,778	—
	66,750	42,057	56,920	41,631
Less: unearned finance income	(9,830)	(426)	N/A	N/A
Present value of minimum lease payment receivables	<u>56,920</u>	<u>41,631</u>	<u>56,920</u>	<u>41,631</u>
Analysed for reporting purposes as:				
Current assets			13,739	41,631
Non-current assets			43,181	—
			<u>56,920</u>	<u>41,631</u>

The effective interest rates of the above finance lease range from 9% to 13% (2017: 13%) per annum.

The relevant lease contracts entered into of approximately HK\$56,920,000 (2017: HK\$41,631,000) was aged within 3-5 years (2017: 1 year) at the end of the reporting period.

As at 31 December 2018, all the finance lease receivables were secured by the leased assets and customers' deposits (2017: leased assets). The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.

12. INVENTORIES

	2018	2017
	HK\$'000	HK\$'000
Goods-in-transit	<u>—</u>	<u>7,086</u>

13. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables	<u>15,452</u>	<u>3,323</u>
Other receivables	3,701	4,565
Less: allowance for impairment losses of other receivables	<u>(1,096)</u>	<u>(455)</u>
	<u>2,605</u>	<u>4,110</u>
Prepayments (<i>Note</i>)	<u>873</u>	<u>2,979</u>
	<u>18,930</u>	<u>10,412</u>

Note: As at 31 December 2017, the amount included prepayment to supplier of approximately HK\$2,000,000 (2018: Nil).

At as 31 December 2018, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$15,452,000 (1 January 2018: HK\$3,323,000).

The Group generally allows an average credit period of 0-30 days (2017: 0-30 days) to its trade customers. The following is an ageing analysis of trade receivables presented based on the date of acknowledgement of receipt of goods by customers, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	9,852	3,323
31-60 days	<u>5,600</u>	<u>—</u>
	<u>15,452</u>	<u>3,323</u>

14. FINANCIAL ASSETS AT FVTPL/HELD-FOR-TRADING INVESTMENT

Financial assets at FVTPL/held-for-trading investment include:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets mandatorily measured at FVTPL/held-for-trading investment		
Equity securities listed in Hong Kong	<u>376</u>	<u>855</u>

15. BANK BALANCES AND CASH

For the year ended 31 December 2018, bank balances carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2017: 0.001% to 0.4% per annum).

As at 31 December 2018, the Group's bank balances and cash denominated in RMB amounted to approximately HK\$42,024,000 (2017: HK\$79,785,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

As at 31 December 2018, approximately HK\$4,869,000 (2017: HK\$2,516,000), HK\$80,000 (2017: HK\$80,000) and HK\$116,000 (2017: HK\$122,000) of bank balances and cash of the Group were denominated in HK\$, US\$ and RMB respectively which are not the functional currencies of the relevant group entities.

16. TRADE AND OTHER PAYABLES

	31 December 2018 HK\$'000	1 January 2018 HK\$'000	31 December 2017 HK\$'000
Non-current			
Security deposit for finance lease receivables	<u>2,215</u>	<u>—</u>	<u>—</u>
Current			
Trade payables	5,171	—	—
Other payables	6,552	2,237	2,237
Interest payables	1,876	1,533	1,533
Value added tax payables	903	919	919
Contract liabilities	—	2,062	—
Receipt in advance	<u>—</u>	<u>—</u>	<u>2,062</u>
	<u>14,502</u>	<u>6,751</u>	<u>6,751</u>

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

	2018 HK\$'000	2017 HK\$'000
0–30 days	<u>5,171</u>	<u>—</u>

The average credit period on purchases of goods is 30 days (2017: Nil). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is approximately HK\$2,062,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts. As at 1 January 2018, the receipt in advance was reclassified to contract liabilities upon the adoption of HKFRS 15.

As at 31 December 2018, approximately HK\$3,100,000 (2017: HK\$3,246,000) of other payables of the Group were denominated in HK\$ which are not the functional currencies of the relevant group entities.

17. LOAN FROM THE ULTIMATE HOLDING COMPANY

	2018	2017
	HK\$'000	HK\$'000
Unsecured:		
Loan repayable within one year based on schedule repayment date	<u>65,000</u>	<u>—</u>

The fixed interest rate of the loan from the ultimate holding company is 9.5% (2017: Nil) per annum.

As at 31 December 2018, approximately HK\$65,000,000 (2017: Nil) of loan from the ultimate holding company of the Group was denominated in HK\$ which is not the functional currency of the relevant group entity.

18. OTHER BORROWING

	2018	2017
	HK\$'000	HK\$'000
Unsecured:		
Other borrowing repayable within one year*	<u>—</u>	<u>50,000</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

As at 31 December 2017, other borrowing of approximately HK\$50,000,000 (2018: Nil) was raised from an independent third party, payable in one year, which carried an interest rate at 10% (2018: Nil) per annum. The loan has been repaid in accordance with the agreed term and fully settled in April 2018.

As at 31 December 2017, HK\$50,000,000 (2018: Nil) of other borrowing of the Group were denominated in HK\$ which was not the functional currency of the relevant group entity.

19. OBLIGATION UNDER FINANCE LEASE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Analysed for reporting purpose as:		
Current liabilities	278	—
Non-current liabilities	<u>930</u>	<u>—</u>
	<u>1,208</u>	<u>—</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 6 years (2017: Nil). Interest rates underlying all obligation under finance lease is fixed at respective contract dates is 1.99% (2017: Nil) per annum.

	Minimum lease payments		Present value of minimum lease payment	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amounts payable under finance leases				
Within one year	320	—	278	—
After one year but within two years	320	—	290	—
After two years but within five years	320	—	301	—
After five years	<u>346</u>	<u>—</u>	<u>339</u>	<u>—</u>
	1,306	—	1,208	—
Less: future finance charges	<u>(98)</u>	<u>—</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>1,208</u>	<u>—</u>	<u>1,208</u>	<u>—</u>
Less: Amount due for settlement within one year (shown under current liabilities)			<u>(278)</u>	<u>—</u>
Amount due for settlement after one year			<u>930</u>	<u>—</u>

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

20. CORPORATE BONDS

During the year ended 31 December 2015, the Group issued an aggregate principal amount of HK\$10,000,000 unlisted corporate bonds bearing an interest rate of 7% per annum, payable annually. The corporate bonds will be repayable on the expiry day of the ninetieth month of the date of issuing the relevant corporate bonds. The effective interest rate of the corporate bonds is 9.5% (2017: 10.2%).

	2018	2017
	HK\$'000	HK\$'000
At 1 January	9,408	9,056
Imputed interest (<i>Note 6</i>)	900	1,052
Interest paid	(700)	(700)
	<u>9,608</u>	<u>9,408</u>
At 31 December	9,608	9,408
	2018	2017
	HK\$'000	HK\$'000
Analysed for reporting purpose as:		
Current portion (included in interest payables under other payables)	700	700
Non-current portion	8,908	8,708
	<u>9,608</u>	<u>9,408</u>

As at 31 December 2018, approximately HK\$9,608,000 (2017: HK\$9,408,000) of corporate bonds of the Group were denominated in HK\$ which is not the functional currency of the relevant group entity.

21. OPERATING LEASE COMMITMENT

The Group as lessee

The Group leases certain of its offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed for an average of three years (2017: three years). The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2018	2017
	HK\$'000	HK\$'000
Within one year	4,268	4,385
In the second to fifth years inclusive	1,975	3,180
	<u>6,243</u>	<u>7,565</u>

22. CAPITAL COMMITMENT

	2018	2017
	HK\$'000	HK\$'000
Capital expenditure in respect of contracted commitments for capital contribution to investees	<u>11,618</u>	<u>11,766</u>

23. 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 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance and Business Review

For the year ended 31 December 2018, the principal businesses of the Group recorded a revenue of approximately HK\$137,647,000, showing an increase of 78.4% in revenue of approximately HK\$77,150,000 from last year. This is due to: For the year ended 31 December 2018, the trading metal business segment recorded no revenue, showing a decrease of 100% in revenue of approximately HK\$49,789,000 from last year and; For the year ended 31 December 2018, the trading nutritional food products business which was engaged during second half year of 2017 recorded a revenue of approximately HK\$133,487,000, showing an increase of 525.4% in revenue of approximately HK\$21,344,000 from last year.; For the year ended 31 December 2018, the finance leasing segment recorded a revenue of approximately HK\$4,160,000, showing a decrease of 30.9% in revenue of approximately HK\$6,017,000 from last year.

For the year ended 31 December 2018, the trading metal business segment recorded no segment profit in line with no revenue generated during the year, showing a decrease of 100% in segment profit of approximately HK\$491,000 from last year. The decrease in revenue in trading metal business segment was significant for the year ended 31 December 2018 when compared with corresponding period in last year. The weakening in market demand may as a result of the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services resulting in strong competition in metal trading business. In view of various supportive strategies of the Government of PRC; the Board is looking forward to the pickup of the trading metal business segment.

During the second half year of 2017, the Group started to engage in trading activity related to nutritional food products in connection with the Group's trading business. For the year ended 31 December 2018, the nutritional food products segment recorded a segment profit of approximately HK\$2,637,000, showing an increase of 673.3% in revenue of approximately HK\$341,000 from last year. The increase in nutritional food products segment profit is in line with the increase of its revenue as a result of full year operation for the year ended 31 December 2018 when compared with only several months' operation from last year.

The decrease in revenue in finance leasing segment was mainly due to the finance leasing market in PRC was highly fragmented and competitive for the year ended 31 December 2018. This enable our potential customers to have many other alternatives to satisfy their financial demands. On the other hand, our Group adopts a more cautious and conservative approach so as to strengthening our Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole, by placing more stringent requirement on our finance leasing customers.

For the year ended 31 December 2018, the finance leasing segment recorded a segment profit of approximately HK\$1,158,000, showing a decrease of 77.6% in contrast with segment profit of approximately HK\$5,175,000 from last year. The decrease in finance leasing segment profit for the year ended 31 December 2018 was mainly due to the expansion of finance leasing business in new

subsidiary of the Company, 亞太鯤鵬融資租賃(深圳)有限公司 (Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd.) (“Asia Pacific Kunpeng”) which operated in Qianhai free trade zone. As a result of this expansion of finance leasing team, more cost is incurred under the finance leasing segment.

With the experienced finance leasing team of the Group, the Group is optimistic that the finance leasing business will pick up in the future although the finance leasing business is facing with a complicated business environment and fierce industrial competition.

Financial Position and Liquidity

As at 31 December 2018, the Group recorded total assets of approximately HK\$160,511,000, which were financed by internal resources of approximately HK\$67,502,000 and liabilities of approximately HK\$93,009,000. The Group had total cash and bank balances of approximately HK\$72,305,000. The current ratio (current assets divided by current liabilities) of the Group decreased from 2.6 times as at 31 December 2017 to 1.3 times as at 31 December 2018. As at 31 December 2018, 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 31 December 2018, 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 Group’s borrowings are on a fixed rate basis.

Contingent Liabilities

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

Gearing Ratio

The gearing ratio was 46.8% as at 31 December 2018 (31 December 2017: 36.9%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year. The increase in gearing ratio was mainly due to a decrease in borrowings of approximately HK\$50 million and a loan from the ultimate holding Company of approximately HK\$65 million. The current ratio (current assets divided by current liabilities) decreased from 2.6 to 1.3 was mainly due to all short term finance lease receivable decreased approximately of HK\$28 million and incurred a loan from the ultimate holding company approximately of HK\$65 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.

Environment Protection and Legal Compliance

The Group is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

During the year and to the best of our Directors' knowledge, the Group had obtained the required permits and environmental approvals for its business, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the Environmental, Social and Governance Report contained in the Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

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 2018, the Group has a workforce of approximately 27 employees in Hong Kong and the PRC, including two executive directors, and three independent non-executive directors.

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 the Scheme for the purpose of motivating eligible participants. For the year ended 31 December 2018, no share options were granted by the Group since the adoption of the Scheme.

Future Plans for Material Investments and Capital Assets

The Group do not have any plan for material investments and capital assets.

Significant Investment Held

Except for investment in subsidiaries, the Group did not hold significant investment for the year ended 31 December 2018.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Except for the acquisition of its subsidiary, Taili Asia Development Co., Ltd and its wholly owned subsidiary, Asia Pacific Kunpeng, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies for the year ended 31 December 2018.

Relationships with Stakeholders

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

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

Key Risks and Uncertainties

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

Market Risks

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

Foreign Exchange Rates Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Operational Risk

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

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

Investment Risk

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

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

Manpower and Retention Risk

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

OUTLOOK

The economic outlook of Hong Kong and Mainland China is anticipated to be challenging in the year 2019. The Sino-US tensions and the US bilateral trade policies and protectionism measures with increased retaliatory tariffs are expected to pose increase geopolitical risks to global nations, which will cast uncertainties over political, monetary, fiscal and trade policy developments.

The US Federal Reserve is expected to have a faster pace of interest rate normalization in its monetary policy with gradual balance sheet reduction and federal funds target interest rate rises. These will also have potential impact on consumer and investment sentiment; and in turn affecting the net worth and wealth of corporates and individuals. Private consumption growth and risk appetite for corporate investments and business expansions are constrained to some extent in Hong Kong and China.

In order to tackle those financial uncertainties, the Government of PRC implements various relevant national development and stimulative strategies such as the “Development of Guangdong-Hong Kong-Macau Big Bay Area” and the “New 4 trillion” stimulus plan to sustain the growth of the PRC economy. The PRC government expects the “New 4 trillion” stimulus plan, in which the 2 trillion RMB budget is used for tax cuts and levy fee reductions, shall boost up the consumption growth of the economy by increasing the actual disposable income of residents and businesses. The market expects that China will accelerate its overseas investments and further expand its trading networks with Asian countries.

During the year under review, the finance leasing market in the PRC was highly fragmented and competitive, the finance leasing business of the Company was facing various competitions from other finance leasing companies. In order to handle the severe competitions in finance leasing market, the new subsidiary of the Company, Asia Pacific Kunpeng operated in Qianhai free trade zone expanded the Group’s finance leasing market during the year. With the ageing of general population and increase in demand for medical care in PRC, the Group have the strategy to focus on the financial leasing market of medical equipment for Hospitals in PRC in order to capture the potential growth. With the experienced team of the Group, the Group is optimistic about its development of financial leasing business although facing with a complicated business environment and fierce industrial competition.

Trading business continues to provide a stable source of revenue to the Group during the year under review and as the business is running steadily but competitive with a thin profit margin. With the further development of middle-class sector in PRC, the demand of nutritional food products is expected to have potential for further development and expanding the trading business of the Group. The Group currently sourced its nutritional food product from Europe in respect of its trading of nutritional food products business. The Group will continuously looking for possibility into more variety of nutritional food products from more sources and the possibility of entering into the corresponding consumer market. For the trading of metal product business, strong competition is experienced by the Group during the year under review and the Group was unable to record revenue on trading of metal product during the year under review. Despite of the strong competition, the Group is still constantly looking for opportunity to accomplish the trading of metal product business in the manner of cautious, conservative with stringent risk control.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 December 2018 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua; and is chaired by Mr. Ho Man.

During the year ended 31 December 2018, the Audit Committee had held 3 meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

ANNUAL REPORT AND FURTHER INFORMATION

This result announcement is published on the website of the Company (www.1152.com.hk) and the website of the Stock Exchange (www.hkex.com.hk). The annual report of the Group for the year ended 31 December 2018 containing all information required by Appendix 16 of the Listing Rules will be despatched to the Shareholders as well as available on the same websites in due course.

By Order of the Board
Momentum Financial Holdings Limited
Chan Chung Shu
Chairman

Hong Kong, 22 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Chan Chung Shu (Chairman) and Mr. Ng Hoi, and three independent non-executive Directors, namely, Mr. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua.