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

# MOMENTUM FINANCIAL HOLDINGS LIMITED

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

# Annual Report 2018

# Contents

# Corporate Information

## Board of Directors

### Executive directors

Mr. Chan Chung Shu *(Chairman)*
(appointed on 22 January 2018)
Mr. Ng Hoi

### Independent non-executive directors

Mr. Ho Man
Mr. Yeh Tung Ming
Mr. Zhang Hua

## Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## Headquarter and Principal Place of Business in Hong Kong

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

## Company Secretary

Mr. Chan King Keung

## Authorised Representatives

Mr. Ng Hoi
Mr. Chan King Keung

## Legal Advisers

*As to Hong Kong law*
Jun He Law Offices
Suite 3701–10, 37/F, Jardine House
1 Connaught Place, Central
Hong Kong

## Bermuda Resident Representative

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

## Members of the Audit Committee

Mr. Ho Man *(Chairman)*
Mr. Yeh Tung Ming
Mr. Zhang Hua

## Members of the Remuneration Committee

Mr. Yeh Tung Ming *(Chairman)*
Mr. Ho Man
Mr. Zhang Hua

## Members of the Nomination Committee

Mr. Zhang Hua *(Chairman)*
Mr. Ho Man
Mr. Yeh Tung Ming

## Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## Hong Kong Share Registrar and Transfer Office

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

## Principal Bankers

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

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

## Auditor

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## Company's Website

www.1152.com.hk

## Stock Code

1152

# Chairman's Statement

**On behalf of the board (the "Board") of directors (the "Directors") of Mementum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited) (the "Company", together with its subsidiaries, the "Group"), I am honored to update you on the Group's position, performance, prospect and present the annual results of the Group for the year ended 31 December 2018.**

The economic outlook of Hong Kong and Mainland China is anticipated to be challenging in the year 2019. This is due to the fact that the global markets are currently influenced by several uncertain events, such as 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 Group is still cautiously optimistic about the business prospects as PRC government 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.

To cope with those future challenges in 2019, the Group will continue to explore potential business opportunities in the Group's trading business. The Group will also continue to provide professional financial and consultancy services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole; finally the Group will match our strengths with market demand, capture the right growth opportunities while guarding the Group against economic headwinds.

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 revenue of approximately HK$133,487,000, showing an increase of 525% in revenue of approximately HK$21,344,000 from last year. 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 will continuously looking for opportunity to enhance the development of the Group's trading business.

On behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication, contribution and hard work. I wish to also express my gratitude to the business partners and shareholders of the Group for their unequivocal support and confidence in the Group.

**Chan Chung Shu**
*Chairman*

22 March 2019

# 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.") 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 a share option scheme (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.

## Charges on Group Assets

Details of charges on group asset are set out notes 14 and 25 to the consolidated financial statements.

## Future Plans for Material Investments and Capital Assets

The Group do not have any plans 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 Kwnpeng Finance Leasing (Shenzhen) Co., Ltd, 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 financial 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 Finance Leasing (Shenzhen) Co., Ltd. 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.

# Directors and Senior Management

## Board of Directors

### Executive directors

**Mr. Chan Chung Shu ("Mr. Chan")**, aged 28, is an executive director and the chairman of the Company. Mr. Chan had been a director of 海南正和實業集團股份有限公司 (Hainan Zhenghe Industrial Group Co. Ltd.) (the name of which was changed to 洲際油氣股份有限公司 (Geo-Jade Petroleum Corporation) in 2014), being a company listed on Shanghai Stock Exchange (stock code: 600759) from June to December 2013.

**Mr. Ng Hoi ("Mr. Ng")**, aged 45, has been appointed as a director of Wukan Kanda Real Estate Development Limited Company since November 2010. Mr. Ng has around 20 years of experience in areas including import and export trading, international investment and economics analysis and real estate investment planning. Since 1996, Mr. Ng has taken up different roles in various companies, including a director of a Beijing investment management company, a director of a Lanzhou real estate development company and the head of the investment department of a Fujian real estate company. Mr. Ng graduated from Xiamen University, specializing in international economics relationship and obtained a bachelor's degree in Economics in July 1996. Mr. Ng also obtained a Master of Business Administration from Tsinghua University School of Economics and Management in July 2010.

### Independent non-executive Directors

**Mr. Ho Man ("Mr. Ho")**, aged 49, is an independent non-executive Director of the Company. Mr. Ho has over 19 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009. Mr. Ho was the non-executive director of SCUD Group Limited (stock code: 1399) from December 2006 to October 2009) and Shanghai Tonva Petrochemical Co., Ltd. (stock code 1103, previous stock code: 8251, currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) from September 2008 to October 2009, both being companies listed on the Main Board of the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd (stock code: 300468.SZ), a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018).

Mr. Ho has been an independent non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777), since October 2009; an independent non-executive director of Fu Shou Yuan International Group Limited (stock code: 1448), since December 2013; an independent non-executive director of CIMC-TiamDa Holdings Co., Ltd, (stock code: 445) since July 2015; an independent non-executive director of Magnus Concordia Group Ltd (stock code: 1172) since January 2018; and an independent non-executive director of Wanjia Group Holdings Limited (stock code: 401) since February 2018, all being companies listed on the Main Board of the Stock Exchange.

Mr. Ho has been a director of Shenzhen Daxiang Space Construction Co., Ltd., (stock code: 836604), a company listed on the National Equities Exchange and Quotations, since September 2015.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst.

**Mr. Yeh Tung Ming ("Mr. Yeh")**, aged 68, is currently a director of a company principally engaging in the business of elderly medical services, environmental protection investment planning and management. He was the general manager of a Shanghai company engaging in the production and sale of IT communication components business from 1999 to 2005. He was appointed as a director of Goldigit Atom-tech Holdings Limited (SEHK stock code: 2362) from 2001 to 2004. Mr. Yeh has over 40 years of experience in worldwide import and export trading and marketing management in the PRC market. Mr. Yeh graduated from the University of Chinese Culture with a bachelor of arts degree.

**Mr. Zhang Hua ("Mr. Zhang")**, aged 56, is an independent non-executive director of the Company. Mr. Zhang is a Bachelor of Engineering from Tianjin University and Master of Business Administration and Ph.D in Finance from McGill University.

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

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

## Senior Management

**Mr. Chan King Keung ("Mr. Chan")**, aged 54, was appointed Chief Financial Officer in September 2014. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in Social Sciences in 1988, and is a fellow member of the Hong Kong Institute of Certified Public Accountants. After graduation, Mr. Chan worked with an international accounting firm in auditing and has held various senior positions with listed and private companies in Hong Kong and China. Mr. Chan has more than twenty years of experience in financial management, corporate finance and merger and acquisition.

**Ms. Huang Zheng ("Ms. Huang")**, aged 35, was appointed as Assistant Finance Manager in June 2017. Ms. Huang obtained her bachelor degree in accounting from Deakin University Australia in 2009. After graduation, Ms. Huang worked with an international accounting firm in auditing and has extensive experience in audits, initial public offerings, mergers and acquisitions of listed companies and private companies over a wide variety of industries.

**Ms. Yang Yang ("Ms. Yang")**, aged 38, was appointed as Administration Manager in December 2016. Ms. Yang holds a bachelor degree at Organization Administration in Science from Central Michigan University in 2007. Before joining the group, Ms. Yang worked many years as Executive Manager in a company listed on Main board of Hong Kong Stock Exchange. Ms. Yang has extensive experience in administration with listed and private companies in Hong Kong and China.

# Directors' Report

The Directors present their report together with the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2018.

## Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 40 to the consolidated financial statements.

## Results and Appropriations

The Group's loss for the year ended 31 December 2018 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 44 to 122 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018.

## Business Review

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on page 4 and pages 5 to 10 of this annual report.

## Five Year Financial Summary

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarized on pages 123 to 124 of this annual report.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

## Share Capital

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 27 to the consolidated financial statements.

## Pre-Emptive Rights

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

## Purchase, Sale or Redemption of the Shares

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2018.

## Tax Relief

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

## Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable Reserves

At 31 December 2018, the Company's reserves available for cash distribution and distribution in specie were HK$62,592,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$190,049,000, are distributable in the form of fully paid bonus shares.

## Interest Capitalised

No interest was capitalised by the Group during the year ended 31 December 2018.

## Major Customers and Suppliers

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

(i) The aggregate amount of revenue attributable to the Group's five largest customers represented 99.6% of the total revenue of the Group for the year. The revenue attributable to the Group's largest customer represented 56.3% of the Group's total revenue for the year.

(ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 100% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 80.9% of the Group's total purchases for the year.

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

The Group entered into 11 finance lease agreements during the year ended 31 December 2018 (2017: Nil).

## Directors

During the year ended 31 December 2018, the composition of the Board as at the date of this report is as:

### Executive directors

Mr. Chan Chung Shu *(Chairman)* (appointed on 22 January 2018)
Mr. Ng Hoi

### Independent non-executive directors

Mr. Ho Man
Mr. Yeh Tung Ming
Mr. Zhang Hua

In accordance with the Company's bye-laws, Mr. Yeh Tung Ming and Mr. Zhang Hua will retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

## Directors' and Senior Management Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 12 of the annual report.

## Directors' Service Contracts and Remuneration

Pursuant to the letter of appointment from the Company to the executive Director dated 22 January 2018, the appointment of Mr. Chan Chung Shu has initial term of service commencing from 22 January 2018. Mr. Chan shall be entitled to receive a director's fee of HK$780,000 per year which was determined by the Board by reference to the duties and responsibilities undertaken by him as a director of the Company. For the year ended 31 December 2018, Mr. Chan has received a discretionary bonus amounts to HK$130,000. In accordance with the bye-laws of the Company, Mr. Chan will be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election.

Pursuant to the letter of appointment from the Company to the executive Director dated 3 November 2016, the appointment of Mr. Ng Hoi has initial term of service commencing from 3 November 2016. Mr. Ng shall be entitled to receive a director's fee of HK$720,000 per year which was determined by the Board by reference to the duties and responsibilities undertaken by him as a director of the Company. For the year ended 31 December 2018, Mr. Ng has received a discretionary bonus amounts to HK$120,000. In accordance with the bye-laws of the Company, Mr. Ng will be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election.

Pursuant to the letter of appointment from the Company to the independent non-executive Director dated 15 September 2017, the appointment of Mr. Zhang Hua has initial term of service commencing from 15 September 2017 with a director's fee of HK$200,000 per annum. In accordance with the bye-laws of the Company, Mr. Zhang will be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election.

Pursuant to the letters of appointment from the Company to the independent non-executive Directors dated 3 November 2016, the appointment of Mr. Ho Man and Mr. Yeh Tung Ming have initial term of service commencing from 3 November 2016 with a director's fee of HK$200,000 per annum. In accordance with the bye-laws of the Company, both of Mr. Ho and Mr. Yeh will be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since their last re-election.

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

Details of Directors' emoluments during the year are set out in note 11 to the consolidated financial statements.

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

## Directors' Interests in Contracts, Transactions or Arrangements

Except for those disclosed in section headed "Connected Transactions" below and note 37 to the consolidated financial statements, no contracts, transactions or arrangements of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2018.

At no time during the year ended 31 December 2018 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

## Management Contracts

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

## Share Option Scheme

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011.

## Equity-Linked Agreements

Details of movements in the Company's convertible bonds, share capital and warrants during the year are set out in notes 24, 27 and 31 to the consolidated financial statements.

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

## Permitted Indemnity Provision

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

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

## Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company:

| Name of director | Capacity and nature of interest | Number of Shares held (Note 1) | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. Chan Chung Shu (Note 2) | Interest in controlled corporation (Note 2) | 501,330,000(L) | 51.05 |

Notes:

(1) The letter "L" denotes a long position in the directors' interest in the share capital of the Company.

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

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

Save as disclosed above, as at 31 December 2018, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Directors' Rights to Acquire Shares

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

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long position:

| **Name of Shareholders** | **Capacity and nature of interest** | **Number of ordinary shares held** (Note 1) | **Percentage of the Company's issued share capital** |
|---|---|---|---|
| Triumph Hope Limited (Note 2) | Beneficial owner | 501,330,000(L) | 51.05 |
| Great Wall International Investment XX Limited (Note 2) | Corporation having security interest in shares | 501,330,000(L) | 51.05 |
| China Great Wall AMC (International) Holdings Company Limited (Note 2) | Interest in controlled corporation | 501,330,000(L) | 51.05 |
| China Great Wall Asset Management Co., Ltd. (Note 2) | Interest in controlled corporation | 501,330,000(L) | 51.05 |
| Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 3) | Beneficial interest | 58,800,000(L) | 5.99 |
| Mr. Ke Xin Hai | Beneficial owner | 57,000,000(L) | 5.80 |

Notes:

(1) The letter "L" denotes a long position in the directors' interest in the share capital of the Company.

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

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

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

Save as disclosed above, as at 31 December 2018, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Sufficiency of Public Float

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

## Corporate Governance

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

## Important Events after Year End

No material important event is noted after year end.

## Auditor

SHINEWING (HK) CPA Limited retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD
**Chan Chung Shu**
*Chairman*

Hong Kong
22 March 2019

# Corporate Governance Report

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

## Board of Directors

During the year 2018, the Board comprises two executive Directors and three independent non-executive Directors. Each of the Directors has entered into a service contract with the Company for a term of one to two years. All Directors including the Chairman are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company's bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. As such, no Director has a term of appointment longer than two years. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the three independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

During the year ended 31 December 2018, the composition of the Board as at the date of this report is as:

### Executive directors

Mr. Chan Chung Shu *(Chairman)* (appointed on 22 January 2018)
Mr. Ng Hoi

### Independent non-executive directors

Mr. Ho Man
Mr. Yeh Tung Ming
Mr. Zhang Hua

## Chairman and Chief Executive Officer

The position of the Chairman is held by Mr. Chan Chung Shu. The Company has not had a designated chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

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

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

## Nomination of Directors

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

## Directors' and Officers' Insurance

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

## Continuous Professional Development

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

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

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

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2018.

## Nomination Committee

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

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

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

During the year ended 31 December 2018, the Nomination Committee had held 2 meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

## Remuneration Committee

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

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

During the year ended 31 December 2018, the Remuneration Committee had held 2 meeting and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group.

## Audit Committee

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

The Audit Committee comprises three independent non-executive directors, namely, Mr. 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.

### 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 (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules.

## Attendance of Meetings

The Company held Board meetings regularly for at least four times a year at approximately quarterly intervals with at least 14 days' notice was given to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was given. The Company has held 15 Board meetings during the year ended 31 December 2018. The attendance record for each of the Directors at the Board meeting during the year ended 31 December 2018 was set out below.

| | Attendance/Number of meetings | | | | | |
|---|---|---|---|---|---|---|
| | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Special General Meeting** | **Annual General Meeting** |
| *Executive Directors* | | | | | | |
| Mr. Chan Chung Shu | 12/14 | — | — | — | 0/1 | 1/1 |
| Mr. Ng Hoi | 12/15 | — | — | — | 1/1 | 1/1 |
| Mr. Yu Xueming (Resigned) | 1/1 | — | — | — | — | — |
| Mr. Yu Chuanfu (Resigned) | 1/1 | — | 1/1 | — | — | — |
| Mr. Zheng Qiang (Resigned) | 1/1 | — | — | — | — | — |
| *Independent Non-executive Directors* | | | | | | |
| Mr. Ho Man | 14/15 | 3/3 | 2/2 | 2/2 | 0/1 | 1/1 |
| Mr. Yeh Tung Ming | 13/15 | 3/3 | 2/2 | 2/2 | 0/1 | 0/1 |
| Mr. Zhang Hua | 13/15 | 3/3 | 2/2 | 2/2 | 0/1 | 0/1 |

## Directors' and Auditor's Responsibilities for the Accounts

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2018 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

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

## Risk Management and Internal Control

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

### Risk Management System

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

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

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

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

Based on the risk assessments conducted in 2018, no significant risk was identified.

### Internal Control System

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

- *Control Environment*: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment*: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring*: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

## Internal Auditors

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

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

## Effectiveness of the Risk Management and Internal Control Systems

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

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

## Audit Committee

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

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

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

## Auditor's Remuneration

The fees in relation to the audit and non-audit services provided by SHINEWING (HK) CPA Limited, the external auditor, to the Company and its subsidiaries for the year ended 31 December 2018 is analyzed below:

### Type of services provided by the external auditor

| | **Fee**<br>HK$'000 |
|---|---|
| Audit service | 800 |
| Non-audit services | |
| Review of preliminary announcement of results | 160 |
| Professional services rendered to the Group in respect of circular in connection with the Unconditional Mandatory Cash | 153 |
| Liquidation services rendered in relation to a subsidiary — in members' voluntary liquidation | 20 |
| Acted as tax representative of the Group's entities | 7 |
| Review of the internal control system of the Group for the year ended 31 December | 137 |
| Preparation of Environmental, Social and Governance Report for the year ended 31 December | 79 |

## How Shareholders Can Convene a Special General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to the bye laws of the Company, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the company by mail to Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

## Procedures by Which Enquiries May be Put to the Board

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

During the year ended 31 December 2018, there has been no significant change in the Company's constitutional documents.

## Communications with Shareholders and Investors

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

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

# Environmental, Social and Governance Report

## About the Report

The environmental, social and governance (the "ESG") report issued by Momentum Financial Holdings Limited (the "Company") represents a detailed account of the full implementation of the concept of sustainable development and the undertaking of its operating policy relating to corporate social responsibilities by the Company and its subsidiaries (collectively, the "Group" or "we"). The ESG report contains detailed account on the various initiatives of the Group in addressing to the principle of sustainable development and its performance in the area of social and governance from 1 January 2018 to 31 December 2018 (the "Year").

### Scope of the Report

The scope of the ESG report mainly covers the Group's performance on the environmental and social aspects with respect to its operation in Hong Kong office and the core business undertakings in Mainland China during the Year. The major focus of disclosure for the Year's key performance indicators comprises Hong Kong office, as well as the three living quarters in Hong Kong, while in the near future it may be extended to other related regions. For information on corporate governance, please refer to page 21 to 30 of the corporate governance report.

### Reporting Framework

The ESG report has been prepared based on "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Information and Feedbacks

For detailed information on the environmental and corporate governance of the Company, please refer to the official website (www.1152.com.hk) and the annual report of Momentum Financial Holdings Limited. The Group counts on your feedbacks for continuous progress. Should you have any suggestions or inquiries, we welcome you to contact us via email at info@1152.com.hk.

## Communication with Stakeholders and Identification of Material Issues

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

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

In preparing for the ESG report of the Year, the Group has assembled opinions from both internal and external stakeholders, including the Company's directors, senior management personnel, customers, suppliers and staff. In the following, we have listed various material issues identified and the corresponding sections where the issues are addressed:

| Material Issues | Corresponding sections |
|---|---|
| Compliance with labour laws and regulations | We Value Our Staff<br>Employment and Labour Standards<br>Benefits and Development<br>Health and Safety |
| Child and forced labour | We Value Our Staff<br>Employment and Labour Standards |
| Compliance with laws and regulations on provision of products and services | Operating Practices<br>Product Responsibility |
| Customer privacy | Operating Practices<br>Product Responsibility |
| Anti-corruption | Operating Practices<br>Anti-corruption |

# Environment Protection

## Emissions

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

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

## Energy Saving and Emission Reduction

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

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

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

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

## We Value Our Staff

### Employment and Labour Standards

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

### Benefits and Development

The Group acknowledges that staff are the most valuable assets and we, therefore, are keen on safeguarding staff's interests. Accordingly, we review the staff's wages on a regular interval with reference to the staff's performance, academic qualifications, experiences, along with the operational performance of the Group, among others, with the aim to provide competitive remuneration packages. All staff are subject to working performance appraisals on annual basis, and those examinees with outstanding results may be given promotion opportunities. The Group complies with the relevant labour laws and regulations, including but not limited to the Labour Law of the People's Republic of China and the Employment Ordinance of Hong Kong. We formulate reasonable working hours for our staff and offer leave entitlements, such as annual leave, maternity leave, wedding leave, funeral leave and examination leave, among others. With regard to those qualified staff during the service period, they are entitled to various benefits, including discretionary bonus, medical insurance and business travel accident insurance. To encourage staff to improve their relevant professional expertise and personal skills, we, apart from offering employees with examination leave, provide allowances for further studies on a discretionary basis with the aim to promote staff involvement in relevant job-related further studies.

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

### Health and Safety

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

## Operating Practices

### Supply Chain Management

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

### Product Responsibility

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

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

### Anti-corruption

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

## Community Involvement

Along with the endeavour to promote business, the Group is also dedicated to social welfare and giving back to society. In the Year, the Group has continued to participate actively in community welfare activities, including Dress Casual Day, as well as the Moon Cake Charity Sales for the Community Chest, assisting the disadvantaged in our community.

## Key Performance Indicators

During the Year, the data of key performance indicators for the Hong Kong office and the three Hong Kong living quarters are as follows:

| Environmental Indicators | 2018 | 2017[1] |
|---|---|---|
| **Vehicle Emissions[2]** | | |
| Nitrogen Oxide Emissions (kg) | 9 | 9 |
| Sulphur Dioxide Emissions (kg) | 0.26 | 0.23 |
| Particulate Matter Emissions (kg) | 0.68 | 0.63 |
| **Greenhouse Gases** | | |
| Total Greenhouse Gases Emissions (t $CO_2e$) | 91 | 53 |
| Scope 1: Direct Emissions (t $CO_2e$) | 47 | 43 |
| Scope 2: Energy Indirect Emissions (t $CO_2e$) | 39 | 5 |
| Scope 3: Other Indirect Emissions (t $CO^2e$) | 5 | 5 |
| Greenhouse Gas Emissions per Employee (t $CO_2e$/employee) | 7.62 | 4.44 |
| **Wastes[3]** | | |
| Total Non-hazardous Wastes Produced (t) | 0.56 | 0.64 |
| Non-hazardous Wastes Generated per Employee (t/employee) | 0.05 | 0.05 |
| **Use of Resources** | | |
| Total Energy Consumption (MWh) | 217 | 154 |
| Energy Consumption per Employee (MWh/employee) | 18 | 13 |
| Consumption of Non-renewable Fuels (MWh) | 167 | 147 |
| Electricity Purchased for Consumption (MWh) | 50 | 7 |
| Total Water Consumption ($m^3$)[4] | 1,663 | N/A |
| Water Consumption per Employee($m^3$/employee) | 139 | N/A |

1 The environmental key performance indicators of 2017 only covered the Hong Kong office unless otherwise stated.

2 The vehicle emissions produced are from the vehicles owned by the Group in Hong Kong.

3 Since the three living quarters in Hong Kong only generated insignificant amount of non-hazardous wastes, non-hazardous wastes data in the Year cover only the Hong Kong office.

4 Since the property management company exercises full control in water consumption and water discharge in the Hong Kong office, relevant information on water consumption in the Hong Kong office cannot be obtained. Therefore, water consumption data in the Year cover only the three living quarters in Hong Kong.

| Employment Indicators | 2018 | 2017 |
|---|---|---|
| **Number of Employees** | | |
| **By Gender** | | |
| Male | 8 | 9 |
| Female | 4 | 3 |
| **By Age** | | |
| Above 50 years old | 4 | 3 |
| 30 to 50 years old | 6 | 8 |
| Below 30 years old | 2 | 1 |
| **Average Training Hours Completed by Each Employee (hours) and Percentage of Employees Trained (%)** | | |
| **By Gender** | | |
| Male | 1(88) | 7(89) |
| Female | 4(50) | 4(67) |

## Content Index of Environmental, Social and Governance Reporting Guide

| ESG Indicators | Brief Description | Section | Page |
|---|---|---|---|
| **Environmental** | | | |
| Aspect A1: Emissions | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Environmental Protection<br>Emissions<br>Energy Saving and Emission Reduction | 33 |
| Aspect A2: Use of Resources | General Disclosure<br>Policies on the efficient use of resources, including energy, water and other raw materials. | Environmental Protection<br>Energy Saving and Emission Reduction | 33 |
| Aspect A3: The Environment and Natural Resources | General Disclosure<br>Policies on minimising the issuer's significant impact on the environment and natural resources. | Environmental Protection<br>Energy Saving and Emission Reduction | 33 |

| ESG Indicators | Brief Description | Section | Page |
|---|---|---|---|
| **Social** | | | |
| **Employment and Labour Practices** | | | |
| Aspect B1: Employment | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | We Value Our Staff<br>Employment and Labour Standards<br>Benefits and Development | 34 |
| Aspect B2: Health and Safety | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | We Value Our Staff<br>Health and Safety | 35 |
| Aspect B3: Development and Training | General Disclosure<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | We Value Our Staff<br>Benefits and Development | 34 |
| Aspect B4: Labour Standards | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | We Value Our Staff<br>Employment and Labour Standards | 34 |

| ESG Indicators | Brief Description | Section | Page |
|---|---|---|---|
| **Operating Practices** | | | |
| Aspect B5: Supply Chain Management | General disclosure<br>Policies on managing environmental and social risks of the supply chain. | Operating Practices<br>Supply Chain Management | 35 |
| Aspect B6: Product Responsibility | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Operating Practices<br>Product Responsibility | 35 |
| Aspect B7: Anti-corruption | General Disclosure<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Operating Practices<br>Anti-Corruption | 35 |
| **Community** | | | |
| Aspect B8: Community Investment | General Disclosure<br>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Involvement | 36 |

# Independent Auditor's Report

信永中和 ShineWing

**SHINEWING** (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE MEMBERS OF MOMENTUM FINANCIAL HOLDINGS LIMITED**
*(FORMERLY KNOWN AS INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED)*
*(incorporated in Bermuda with limited liability)*

## Opinion

We have audited the consolidated financial statements of Momentum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 44 to 122, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impairment of finance lease receivables

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 72 to 73.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group has finance lease receivables amounted to approximately HK$56,920,000 as at 31 December 2018 which are significant to the consolidated financial statements.<br><br>The adoption of HKFRS 9 has fundamentally changed the Group's accounting for finance lease receivables by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.<br><br>The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as probability of default and forward looking information.<br><br>We have identified the impairment of finance lease receivables as a key audit matter because the Group applies significant judgements and makes a number of assumptions in the staging criteria applied to the consolidated financial statements as well as in developing ECL models for calculating its impairment provisions. | Our procedures were designed to review management's assessment on the ECL model on finance lease receivables.<br><br>We have evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and ECL estimation.<br><br>We have reviewed and assessed the application of the Group's policy for calculating the ECL.<br><br>We have evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9.<br><br>We have also assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance. |

## Information Other Than the Consolidated Financial Statements and Our Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Hon Kei, Anthony**
Practising Certificate Number: P05591

Hong Kong
22 March 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

| | Notes | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **137,647** | 77,150 |
| Cost of sales | | **(130,451)** | (70,252) |
| Gross profit | | **7,196** | 6,898 |
| Other operating income | 7 | **911** | 8,518 |
| Gain on disposal of a subsidiary | 32 | **–** | 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 | 8 | **(6,878)** | (16,123) |
| Loss before taxation | | **(21,522)** | (10,836) |
| Income tax expenses | 9 | **(486)** | (72) |
| Loss for the year | 10 | **(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 | | **(3,473)** | 6,109 |
| Total comprehensive expense for the year | | **(25,481)** | (4,799) |
| **Loss per share (HK cents)** | 13 | | |
| Basic and diluted | | **(2.24)** | (1.11) |

# Consolidated Statement of Financial Position

As at 31 December 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 14 | **11,136** | 11,182 |
| Interest in a joint venture | 15 | **—** | — |
| Finance lease receivables | 16 | **43,181** | — |
| | | **54,317** | 11,182 |
| Current assets | | | |
| Inventories | 17 | **—** | 7,086 |
| Trade and other receivables | 18 | **18,930** | 10,412 |
| Finance lease receivables | 16 | **13,739** | 41,631 |
| Financial asset at fair value through profit or loss/held-for-trading investment | 19 | **376** | 855 |
| Income tax recoverable | | **844** | 669 |
| Bank balances and cash | 20 | **72,305** | 87,308 |
| | | **106,194** | 147,961 |
| Current liabilities | | | |
| Trade and other payables | 21 | **14,502** | 6,751 |
| Loan from the ultimate holding company | 22 | **65,000** | — |
| Other borrowing | 23 | **—** | 50,000 |
| Obligation under finance lease | 25 | **278** | — |
| Income tax payables | | **1,176** | 701 |
| | | **80,956** | 57,452 |
| Net current assets | | **25,238** | 90,509 |
| Total assets less current liabilities | | **79,555** | 101,691 |

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Other payable | 21 | **2,215** | — |
| Obligation under finance lease | 25 | **930** | — |
| Corporate bonds | 26 | **8,908** | 8,708 |
| | | **12,053** | 8,708 |
| | | **67,502** | 92,983 |
| Capital and reserves | | | |
| Share capital | 27 | **4,910** | 4,910 |
| Reserves | | **62,592** | 88,073 |
| | | **67,502** | 92,983 |

The consolidated financial statements on pages 44 to 122 were approved and authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by:

**Chan Chung Shu**
*Director*

**Ng Hoi**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

| | Share capital HK$'000 | Share premium HK$'000 | Convertible bonds equity reserve HK$'000 | Other reserve HK$'000 (Note) | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 4,910 | 190,049 | 4,244 | 9,943 | (13,521) | (97,843) | 97,782 |
| Loss for the year | — | — | — | — | — | (10,908) | (10,908) |
| Other comprehensive income for the year: | | | | | | | |
| Exchange difference arising on translation of foreign operations | — | — | — | — | 6,109 | — | 6,109 |
| Total comprehensive income (expense) for the year | — | — | — | — | 6,109 | (10,908) | (4,799) |
| Transfer to accumulated losses upon early redemption of convertible bonds | — | — | (4,244) | — | — | 4,244 | — |
| At 31 December 2017 and 1 January 2018 | **4,910** | **190,049** | **—** | **9,943** | **(7,412)** | **(104,507)** | **92,983** |
| Loss for the year | **—** | **—** | **—** | **—** | **—** | **(22,008)** | **(22,008)** |
| Other comprehensive expense for the year: | | | | | | | |
| Exchange difference arising on translation of foreign operations | **—** | **—** | **—** | **—** | **(3,473)** | **—** | **(3,473)** |
| Total comprehensive expense for the year | **—** | **—** | **—** | **—** | **(3,473)** | **(22,008)** | **(25,481)** |
| At 31 December 2018 | **4,910** | **190,049** | **—** | **9,943** | **(10,885)** | **(126,515)** | **67,502** |

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before taxation | **(21,522)** | (10,836) |
| Adjustments for: | | |
| Change in fair value of financial asset at fair value through profit or loss/held-for-trading investment | **479** | 3,249 |
| Depreciation of property, plant and equipment | **1,929** | 3,903 |
| Finance costs | **6,878** | 16,123 |
| Loss on written-off/disposal of property, plant and equipment | **5** | 437 |
| Gain on disposal of subsidiary | **—** | (19,674) |
| Write back of other payables | **—** | (1,129) |
| Loss on early redemption of convertible bonds | **—** | 41 |
| Impairment loss recognised in respect of other receivables | **701** | 437 |
| Bank interest income | **(180)** | (467) |
| Operating cash flows before movements in working capital | **(11,710)** | (7,916) |
| Decrease (increase) in inventories | **7,086** | (7,086) |
| (Increase) decrease in trade and other receivables | **(9,328)** | 34,117 |
| (Increase) decrease in finance lease receivables | **(15,834)** | 24,131 |
| Decrease in contract liabilities | **(2,062)** | — |
| Increase in trade and other payables | **12,022** | 1,661 |
| Cash (used in) generated from operations | **(19,826)** | 44,907 |
| Income tax paid | **(184)** | (1,416) |
| **NET CASH (USED IN) FROM OPERATING ACTIVITIES** | **(20,010)** | 43,491 |
| **INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | **(542)** | (542) |
| Interest received | **180** | 467 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(362)** | (75) |
| **FINANCING ACTIVITIES** | | |
| New loan from the ultimate holding company raised | **65,000** | — |
| Repayment of other borrowing | **(50,000)** | (80,000) |
| Interest paid | **(6,335)** | (20,307) |
| Repayments of obligation under finance lease | **(610)** | — |
| Redemption of convertible bonds | **—** | (60,000) |
| New other borrowing raised | **—** | 50,000 |
| **NET CASH FROM (USED IN) FINANCING ACTIVITIES** | **8,055** | (110,307) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(12,317)** | (66,891) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **87,308** | 153,806 |
| **EFFECT OF FOREIGN EXCHANGE RATES CHANGES** | **(2,686)** | 393 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,** represented by bank balances and cash | **72,305** | 87,308 |

## 1. General Information

Momentum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 Company and its subsidiaries (hereinafter collectively referred to as 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$") as the directors of the Company consider that HK$ 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.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### 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 Group's accounting policies for its revenue streams are disclosed in detail in Note 3 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.

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

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### 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 Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

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

#### (i) Classification and measurement of financial instruments

The directors of the Company 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 of the Company 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.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### HKFRS 9 Financial instruments (Continued)

#### (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.

| | Notes | Carrying amount at 31 December 2017 (HKAS 39) HK$'000 | Impact on adoption of HKFRS 9— Reclassification HK$'000 | Carrying amount under HKFRS 9 as restated at 1 January 2018* HK$'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Loan and receivables** | a | | | |
| — 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** | a | | | |
| — 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 | b | 855 | (855) | — |
| **Financial asset at FVTPL** | | | | |
| — Trading securities | b | — | 855 | 855 |

* 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 balances and cash previously classified as loan and receivables were reclassified to financial assets 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.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### 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 in 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.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

### HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$6,243,000 as disclosed in Note 34. Such amount represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. Significant Accounting Policies (Continued)

### Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

### Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in a joint venture is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of a joint venture are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in a joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the joint venture. The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

## 3. Significant Accounting Policies (Continued)

### Revenue recognition

#### Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is district or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

## 3. Significant Accounting Policies (Continued)

### Revenue recognition (Continued)

### Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

*Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

*Contract assets and contract liabilities*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Sales of nutritional food products
- Sales of metal products
- Provision of consultancy service

## 3. Significant Accounting Policies (Continued)

### Revenue recognition (Continued)

### Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

*Contract assets and contract liabilities (Continued)*

**(i) Sales of nutritional food products**

Revenue from sale of nutritional food products is recognised at the point when the control of the products is transferred to the customers (generally on receipt of acknowledgement of acceptance from customers).

**(ii) Sales of metal products**

Revenue from sale of metal products is recognised at the point when the control of the products is transferred to the customers (generally on delivery of metal product).

**(iii) Provision of consultancy service**

Revenue from provision of consultancy service is recognised over time on a straightline basis over the contract period.

### Policy applicable to the year ended 31 December 2017

*(i) Sales of goods*

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered or the receipt of the goods is acknowledged by the buyer and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

## 3. Significant Accounting Policies (Continued)

### Revenue recognition (Continued)

### Policy applicable to the year ended 31 December 2017 (Continued)

*(ii) Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*(iii) Finance lease interest income*

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

*(iv) Finance lease penalty income*

Finance lease penalty income from a finance lease is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

## 3. Significant Accounting Policies (Continued)

### Leasing (Continued)

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

## 3. Significant Accounting Policies (Continued)

### Employee benefits

#### Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contribution.

#### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 3. Significant Accounting Policies (Continued)

### Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance leases) for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018)

*Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

**Financial assets at amortised cost (debt instruments)**

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

*(i)* *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Financial assets (Continued)*

**Financial assets at amortised cost (debt instruments) (Continued)**

*(i) Amortised cost and effective interest method (Continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and it included in the "other operating income" line item (Note 7).

**Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Financial assets (Continued)*

**Financial assets at FVTPL (Continued)**

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss and is included in the "change in fair value of financial asset at fair value through profit or loss" line item. Fair value is determined in the manner described in Note 31.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are subject to impairment under HKFRS 9, including finance lease receivables and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated individually of debtors with significant balances and/or collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For finance lease receivables, the ECL are determined based on the 12 months ECL. The 12 months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's finance lease receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has good settlement record with the Group.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Impairment of financial assets (Continued)*

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Impairment of financial assets (Continued)*

**Significant increase in credit risk (Continued)**

Despite the foregoing, the Group assumes that the credit risk on a financial instrument and finance lease receivables have not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset and finance lease receivables to have low credit risk when the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Definition of default**

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

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Impairment of financial assets (Continued)*

**Write-off policy**

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

*Financial liabilities and equity instruments*

**Classification as debt or equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**

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

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

**Financial liabilities subsequently measured at amortised cost**

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKAS 39 (applicable before 1 January 2018)

*Financial assets*

The Group's financial assets include loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

**Financial assets at FVTPL**

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss is included in the change in fair value of held-for-trading investment line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 31.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKAS 39 (applicable before 1 January 2018) (Continued)

*Financial assets (Continued)*

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivables, trade and other receivables and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Impairment loss on financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as finance lease receivables and trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0–30 days (2017: 0–30 days), observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables and trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or finance lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKAS 39 (applicable before 1 January 2018) (Continued)

*Impairment loss on financial assets (Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified as other financial liabilities.

**Other financial liabilities**

Other financial liabilities including other payables, other borrowing and corporate bonds are subsequently measured at amortised cost, using the effective interest method.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

**Equity instruments**

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

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

### Under HKAS 39 (applicable before 1 January 2018) (Continued)

*Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of bank balances and cash as defined above.

### Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3. Significant Accounting Policies (Continued)

### Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

#### Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). The directors of the Company are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts entered are classified as finance leases. Details are set out in Note 16.

### Principal versus agent consideration

The Group engages in trading of nutritional food products. Upon application of HKFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators.

### Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Impairment of trade and other receivables and finance lease receivables

The impairment provisions for trade and other receivables and finance lease receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2018, the carrying amount of trade and other receivables is approximately HK$18,057,000 (2017: HK$7,433,000), net of accumulated impairment losses of approximately HK$1,096,000 (2017: HK$455,000).

As at 31 December 2018, the carrying amount of finance lease receivables is approximately HK$56,920,000 (2017: HK$41,631,000). No impairment loss has been recognised as at 31 December 2018 (2017: Nil).

## 5. 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<br>HK$'000 | 2017*<br>HK$'000 |
|---|---|---|
| **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 | — |
| **Revenue from other sources** | 136,617 | 71,133 |
| — Interest income from provision of finance leasing services | 1,030 | 6,017 |
| | 137,647 | 77,150 |

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

### Disaggregation of revenue by timing of recognition

| | 2018<br>HK$'000 |
|---|---|
| **Timing of revenue recognition** | |
| At a point in time | 133,487 |
| Over time | 3,130 |
| Total revenue from contracts with customers | 136,617 |

## 6. 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 of the Company 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 make 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 HK$'000 | Trading business — metal products HK$'000 | Trading business — nutritional food products HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Segment revenue | **4,160** | **—** | **133,487** | **137,647** |
| Segment profit | **1,158** | **—** | **2,637** | **3,795** |
| Unallocated other operating income | | | | **180** |
| Change in fair value of financial asset at FVTPL | | | | **(479)** |
| Unallocated expenses | | | | **(18,140)** |
| Finance costs | | | | **(6,878)** |
| Loss before taxation | | | | **(21,522)** |

## 6. Segment Information (Continued)

### Segment revenues and results (Continued)

### For the year ended 31 December 2017

| | Finance leasing HK$'000 | Trading business — metal products HK$'000 | Trading business — nutritional food products HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Segment revenue | 6,017 | 49,789 | 21,344 | 77,150 |
| Segment profit | 5,175 | 491 | 341 | 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 | | | | (16,123) |
| Loss before taxation | | | | (10,836) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

## 6. Segment Information (Continued)

### Segment assets and liabilities

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

### Segment assets

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

### Segment liabilities

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

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.

## 6. Segment Information (Continued)

### Other segment information

### For the year ended 31 December 2018

| | Provision of finance leasing and consultancy service HK$'000 | Trading business — metal products HK$'000 | Trading business — nutritional food products HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or segment assets** | | | | | |
| Additions to non-current assets (Note 14) | 505 | — | — | 1,855 | 2,360 |
| Depreciation of property, plant and equipment | 1,055 | — | — | 874 | 1,929 |
| Finance lease handling income | (535) | — | — | — | (535) |
| Finance lease penalty income | (196) | — | — | — | (196) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets** | | | | | |
| Change in fair value of financial asset at FVTPL | — | — | — | 479 | 479 |
| Interest expenses | — | — | — | 6,878 | 6,878 |
| Loss on written-off of property, plant and equipment | — | — | — | 5 | 5 |
| Impairment loss recognised in respect of other receivables | — | — | — | 701 | 701 |
| Income tax expenses | 288 | — | 198 | — | 486 |
| Bank interest income | (176) | — | — | (4) | (180) |

Note: Non-current assets excluded finance lease receivables.

## 6. Segment Information (Continued)

### Other segment information (Continued)

### For the year ended 31 December 2017

| | Provision of finance leasing and consultancy service HK$'000 | Trading business — metal products HK$'000 | Trading business — nutritional food products HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or segment assets** | | | | | |
| Additions to non-current assets (Note 14) | — | — | — | 542 | 542 |
| Depreciation of property, plant and equipment | 3,262 | — | — | 641 | 3,903 |
| Finance lease penalty income | (925) | — | — | — | (925) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets** | | | | | |
| Change in fair value of held-for-trading investment | — | — | — | 3,249 | 3,249 |
| Loss on early redemption of convertible bonds | — | — | — | 41 | 41 |
| Interest expenses | — | — | — | 16,123 | 16,123 |
| Loss on disposal of property, plant and equipment | — | — | — | 437 | 437 |
| Impairment loss recognised in respect of other receivables | — | — | — | 437 | 437 |
| Income tax expenses | — | — | 56 | 16 | 72 |
| Bank interest income | (213) | — | — | (254) | (467) |
| Gain on disposal of subsidiary | — | — | — | (19,674) | (19,674) |
| Write back of other payables | — | — | — | (1,129) | (1,129) |

Note: Non-current assets excluded finance lease receivables.

## 6. Segment Information (Continued)

### Geographical information

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

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

| | For the year ended 2018 | | | For the year ended 2017 |
|---|---|---|---|---|
| | Revenue from contracts with customers HK$'000 | From other sources HK$'000 | Total HK$'000 | Total HK$'000 |
| The PRC | 3,130 | 1,030 | 4,160 | 55,806 |
| Hong Kong | 133,487 | — | 133,487 | 21,344 |
| | 136,617 | 1,030 | 137,647 | 77,150 |

| | Non-current assets (Note) | |
|---|---|---|
| | 2018 HK$'000 | 2017 HK$'000 |
| The PRC | 8,927 | 9,970 |
| Hong Kong | 2,209 | 1,212 |
| | 11,136 | 11,182 |

Note: Non-current assets excluded financial lease receivables.

## 6. Segment Information (Continued)

### Information about major customers

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Customer A[1] | **77,552** | 11,345 |
| Customer B[1] | **55,935** | 9,999 |
| Customer C[2] | **Nil** | 30,054 |
| Customer D[2] | **Nil** | 19,735 |

1 Revenue from trading business — nutritional food products segment
2 Revenue from trading business — metal products segment

## 7. Other Operating Income

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| 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 |
| | **911** | 8,518 |

## 8. Finance Costs

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interests 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 (Note 24) | **—** | 4,049 |
| — corporate bonds (Note 26) | **900** | 1,052 |
| | **6,878** | 16,123 |

## 9. Income Tax Expenses

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong Profits Tax | **198** | 56 |
| PRC Enterprise Income Tax | **288** | 16 |
| | **486** | 72 |

(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.

## 9. Income Tax Expenses (Continued)

(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.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss before taxation | **(21,522)** | (10,836) |
| Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned | **(3,546)** | (1,509) |
| Tax effect of expense not deductible for tax purposes | **3,293** | 4,420 |
| Tax effect of income not taxable for tax purposes | **(240)** | (3,480) |
| Utilisation of tax losses previously not recognised | **—** | (1,670) |
| Tax effect of tax losses not recognised | **1,335** | 2,311 |
| Effect of two-tiered profits tax rates regime | **(165)** | — |
| Income tax on concessionary rate | **(191)** | — |
| Income tax expenses for the year | **486** | 72 |

At the end of the reporting period, the Group has unused tax losses of approximately HK$36,984,000 (2017: HK$29,668,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$16,458,000 (2017: HK$14,946,000) that will expire after five years from the year of assessment to which they relate. Other losses may be carried forward indefinitely.

## 10. Loss for the Year

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss for the year has been arrived at after charging: | | |
| Directors' and chief executive's emoluments (Note 11(a)) | **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) | **332** | 233 |
| Total staff costs | **8,373** | 7,280 |
| 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 | **5,197** | 5,046 |

## 11. Directors', Chief Executive's and Employees' Emoluments

### (a) Directors' and chief executive's emoluments

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

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other allowances HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | |
| Executive directors: | | | | |
| Mr. Chan Chung Shu (appointed on 22 January 2018) (Note (b)) | – | 851 | 15 | 866 |
| Mr. Ng Hoi | – | 792 | 18 | 810 |
| Mr. Yu Xueming (resigned on 22 January 2018) | – | 33 | 2 | 35 |
| Mr. Yu Chuanfu (resigned on 22 January 2018) (Note (a)) | – | 44 | 2 | 46 |
| Mr. Zheng Qiang (resigned on 22 January 2018) | – | 43 | 2 | 45 |
| Independent non-executive directors: | | | | |
| Mr. Ho Man | 200 | – | – | 200 |
| Mr. Yeh Tung Min | 200 | – | – | 200 |
| Mr. Zhang Hua | 200 | – | – | 200 |
| | 600 | 1,763 | 39 | 2,402 |

## 11. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

| | Year ended 31 December 2017 | | | |
|---|---|---|---|---|
| | Fees | Salaries and other allowances | Retirement benefit scheme contributions | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | |
| Executive directors: | | | | |
| Mr. Ng Hoi | — | 700 | 18 | 718 |
| Mr. Zheng Qiang (resigned on 22 January 2018) | — | 600 | 18 | 618 |
| Mr. Yu Xueming (resigned on 22 January 2018) | — | 780 | 18 | 798 |
| Mr. Yu Chuanfu (resigned on 22 January 2018) (Note (a)) | — | 756 | 18 | 774 |
| Mr. Sit Yau Chiu (resigned on 6 June 2017) | — | 260 | 8 | 268 |
| Non-executive director: | | | | |
| Mr. Chan Yee, Herman (resigned on 15 June 2017) | 92 | — | — | 92 |
| Independent non-executive directors: | | | | |
| Mr. Wang Wei Hung, Andrew (resigned on 15 June 2017) | 92 | — | — | 92 |
| Mr. Ho Man | 200 | — | — | 200 |
| Mr. Yeh Tung Min | 200 | — | — | 200 |
| Mr. Zhang Hua (appointed on 15 September 2017) | 59 | | | 59 |
| Mr. Sin Ka Man (resigned on 6 June 2017) | 87 | — | — | 87 |
| Mr. Zhao Li Xin (resigned on 6 June 2017) | 87 | — | — | 87 |
| | 817 | 3,096 | 80 | 3,993 |

## 11. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

Notes:

(a) Mr. Yu Chuanfu was the chief executive of the Company during the year ended 31 December 2017 and resigned on 22 January 2018. His emoluments disclosed above include those for services rendered by him as the chief executive. He resigned as both executive director and chief executive of the Company on 22 January 2018.

(b) Mr. Chan Chung Shu was appointed as the chief executive of the Company on 22 January 2018 and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: four) were directors and the chief executive of the Company for the year ended 31 December 2018 whose emoluments are included in the disclosures in Note 11(a) above. The emoluments of the remaining three (2017: one) individuals were as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Salaries and other allowances | **2,258** | 960 |
| Performance related incentive payments (Note) | **364** | 160 |
| Retirement benefit scheme contributions | **53** | 18 |
| | **2,675** | 1,138 |

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

The emoluments of the remaining three (2017: one) individual were within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2018 | 2017 |
| Nil to HK$1,000,000 | **2** | — |
| HK$1,000,001 to HK$1,500,000 | **—** | 1 |
| HK$1,500,001 to HK$2,000,000 | **1** | — |

During the years ended 31 December 2018 and 2017, no emoluments were paid or payable by the Group to the directors, chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as a compensation for loss of office.

## 12. 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).

## 13. 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<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Loss** | | |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(22,008)** | (10,908) |

| | 2018<br>'000 | 2017<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number ordinary shares for the purpose of basic and diluted loss per share | **982,000** | 982,000 |

Diluted loss per share was the same as the basic loss per share for the year ended 31 December 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.

## 14. Property, Plant and Equipment

| | Leasehold land and buildings HK$'000 | Office equipment HK$'000 | Furniture and fixtures HK$'000 | Leasehold improvement HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2017 | 9,042 | 13,345 | 1,699 | 10,768 | 3,032 | 37,886 |
| Additions | — | 51 | 484 | 7 | — | 542 |
| Disposal | — | — | — | — | (928) | (928) |
| Exchange realignment | 682 | 42 | 128 | 439 | 29 | 1,320 |
| **At 31 December 2017 and 1 January 2018** | **9,724** | **13,438** | **2,311** | **11,214** | **2,133** | **38,820** |
| **Additions** | **—** | **18** | **48** | **476** | **1,818** | **2,360** |
| **Written-off** | **—** | **—** | **—** | **(7)** | **—** | **(7)** |
| **Exchange realignment** | **(499)** | **(31)** | **(94)** | **(322)** | **—** | **(946)** |
| **At 31 December 2018** | **9,225** | **13,425** | **2,265** | **11,361** | **3,951** | **40,227** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 January 2017 | 644 | 13,089 | 483 | 7,934 | 1,465 | 23,615 |
| Provided for the year | 420 | 99 | 346 | 2,486 | 552 | 3,903 |
| Eliminated on disposal | — | — | — | — | (376) | (376) |
| Exchange realignment | 66 | 27 | 50 | 345 | 8 | 496 |
| **At 31 December 2017 and 1 January 2018** | **1,130** | **13,215** | **879** | **10,765** | **1,649** | **27,638** |
| **Provided for the year** | **432** | **81** | **421** | **296** | **699** | **1,929** |
| **Eliminated on written-off** | **—** | **—** | **—** | **(2)** | **—** | **(2)** |
| **Exchange realignment** | **(75)** | **(25)** | **(56)** | **(318)** | **—** | **(474)** |
| **At 31 December 2018** | **1,487** | **13,271** | **1,244** | **10,741** | **2,348** | **29,091** |
| **CARRYING VALUES** | | | | | | |
| **At 31 December 2018** | **7,738** | **154** | **1,021** | **620** | **1,603** | **11,136** |
| At 31 December 2017 | 8,594 | 223 | 1,432 | 449 | 484 | 11,182 |

## 14. Property, Plant and Equipment (Continued)

(i) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of term of the lease or 50 years |
| Office equipment | 20% |
| Furniture and fixtures | 10% to 20% |
| Leasehold improvement | Over the shorter of term of the lease or 5 years |
| Motor vehicles | 20% |

The carrying value of motor vehicles of approximately HK$1,603,000 includes an amount of approximately HK$1,485,000 (2017: Nil) in respect of asset held under finance lease.

## 15. Interest in a Joint Venture

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Costs of investments in joint ventures | | |
| Unlisted | **–** | – |
| Share of post-acquisition losses and other comprehensive income | **–** | – |
| | **–** | – |

As at 31 December 2018 and 2017, the Group had interest in the following joint venture:

| Name of entity | Form of entity | Country of incorporation/ registration | Principal place of operation | Class of shares held | Proportion of ownership interests or participating shares held by the Group 2018 | 2017 | Proportion of voting power held 2018 | 2017 | Principal activity |
|---|---|---|---|---|---|---|---|---|---|
| Hebao (Shenzhen) Information Technology Company Limited* (荷包(深圳)信息科技有限公司) | Incorporated | The PRC | The PRC | Ordinary | **49%** | 49% | **49%** | 49% | Inactive |

* English name is for identification purpose.

As at 31 December 2018 and up to the date of this report, no capital was injected to the joint venture by the Group.

## 16. 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 | **56,920** | 41,631 | **56,920** | 41,631 |
| Analysed for reporting purposes as: | | | | |
| Current assets | | | **13,739** | 41,631 |
| Non-current assets | | | **43,181** | — |
| | | | **56,920** | 41,631 |

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.

## 16. Finance Lease Receivables (Continued)

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

Deposits of approximately HK$2,215,000 (2017: Nil) have been received by the Group to secure certain finance lease receivables and classified into current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing. In addition, the finance lease receivables are secured over the leased assets, mainly machinery leased, as at 31 December 2018 and 2017. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

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

The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and the realisation of collateral. The estimated loss rate are concluded as close to zero, the impact of the expected loss is assessed to be immaterial.

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

## 17. Inventories

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Goods-in-transit | — | 7,086 |

## 18. Trade and Other Receivables

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

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<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| 0–30 days | **9,852** | 3,323 |
| 31–60 days | **5,600** | — |
| | **15,452** | 3,323 |

## 18. Trade and Other Receivables (Continued)

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limit. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Included in the Group's trade receivable balance as at 31 December 2018, approximately HK$12,722,000 (2017: HK$3,323,000), representing approximately 82% (2016: 100%) of the total trade receivables, is due from the Group's largest debtor.

As at 31 December 2018, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK$5,600,000 (2017: Nil) which were past due less than 1 month as at the end of the reporting period for which the Group had not provided for impairment loss because there has not been a significant change in credit quality and they were still considered as recoverable. The Group does not hold any collateral over these balances.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated individually for debtors with significant balances and/or collectively using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2018, the Group has assessed that the expected loss rate was immaterial. Thus, no allowance for trade receivables was recognised.

## 18. Trade and Other Receivables (Continued)

The Group has adopted HKFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the gross amount of other receivables is as follows:

| | 12-month ECL<br>HK$'000 | Lifetime ECL — credit impaired<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| Gross amount as at 31 December 2018 | | | |
| — Internal Grade — performing | 2,605 | — | 2,605 |
| — Internal Grade — default | — | 1,096 | 1,096 |
| | 2,605 | 1,096 | 3,701 |

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

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| At 1 January | **455** | — |
| Impairment loss recognised on other receivables | **701** | 437 |
| Exchange realignment | **(60)** | 18 |
| At 31 December | **1,096** | 455 |

The impairment loss recognised for other receivables was provided based on credit impaired lifetime ECL. For the remaining balance of prepayments and 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.

At 31 December 2017, the Group's other receivables of approximately HK$455,000 were individually impaired. The individually impaired receivables related to debts with no response from debtors and management assessed that full amount of these receivables is unlikely to be recovered. Details of impairment assessment are set out in Note 30.

As at 31 December 2018, approximately HK$937,000 (2017: HK$1,454,000) of other receivables of the Group were denominated in HK$ which are not the functional currencies of the relevant group entities.

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

## 19. Financial Asset At Fair Value through Profit and Loss / Held-For-Trading Investment

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

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

## 20. 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.

## 21. Trade and Other Payables

| | 31 December<br>2018<br>HK$'000 | 1 January<br>2018<br>HK$'000 | 31 December<br>2017<br>HK$'000 |
|---|---|---|---|
| **Non-current** | | | |
| Security deposit for finance lease receivables | **2,215** | — | — |

## 21. Trade and Other Payables (Continued)

| | 31 December 2018 HK$'000 | 1 January 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|---|
| **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 | **—** | — | 2,062 |
| | **14,502** | 6,751 | 6,751 |

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 | **5,171** | — |

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.

## 22. Loan from the Ultimate Holding Company

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Unsecured: | | |
| Loan repayable within one year based on schedule repayment date | **65,000** | – |

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.

## 23. Other Borrowing

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Unsecured: | | |
| Other borrowing repayable within one year* | **–** | 50,000 |

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

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.

## 24. Convertible Bonds

On 9 May 2014, the Company issued 5% per annum coupon rate convertible bonds at principal amount of HK$200,000,000 and HK$100,000,000 to Vision Future Global Limited ("Vision Future") and Orient Finance Holdings (Hong Kong) Ltd. ("Orient Finance"), the independent third parties, respectively. The convertible bonds are denominated in HK$. The bonds mature in 36 months from the date of issuance and can be converted into shares of the Company with the agreement from bondholders at any time before the maturity date at an initial conversion price of HK$1 per share. The convertible bonds are transferable and non-redeemable before maturity. Interest of 5% per annum was payable annually up until the settlement date.

## 24. Convertible Bonds (Continued)

On 25 September 2014, a deed of amendment has been entered into by the Company and the convertible bondholders that the convertible bonds were changed to be redeemable upon mutual consent between the Company and the bondholders. Other terms of the convertible bonds remain unchanged. No convertible bond has been converted or early redeemed on that date. On 31 October 2014, such modification have been duly passed by shareholders in a special general meeting. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 8% per annum.

On 14 November 2014 and 18 November 2014, the Company early redeemed partially the convertible bonds with the principal amounts of HK$140,000,000 and HK$43,000,000 from Vision Future and Orient Finance, respectively.

On 20 May 2015, the principal amount of HK$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK$1 each.

On 28 July 2015, the Company further early redeemed partially the convertible bonds with the principal amounts of HK$37,000,000 from Orient Finance. This gave rise on an early redemption gain of approximately HK$4,992,000 for the year ended 31 December 2015 recognised in profit or loss. On the same date, another principal amount of HK$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK$1 each.

On 27 April 2017, the Company early redeemed the remaining convertible bonds with the principal amount of HK$60,000,000 from Vision Future. As at 31 December 2017, there is no outstanding convertible bonds.

The movement of the convertible bonds for the year is set out below:

| | **Liability component** HK$'000 | **Equity component** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| At 1 January 2017 | 58,812 | 4,244 | 63,056 |
| Imputed interests charged (Note 8) | 4,049 | — | 4,049 |
| Loss on early redemption of convertible bonds | 41 | — | 41 |
| Early redemption of convertible bonds | (62,902) | — | (62,902) |
| Transfer to accumulated losses upon early redemption of convertible bonds | — | (4,244) | (4,244) |
| At 31 December 2017 | — | — | — |

## 25. Obligation Under Finance Lease

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current liabilities | **278** | — |
| Non-current liabilities | **930** | — |
| | **1,208** | — |

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 payments | |
|---|---|---|---|---|
| | **2018**<br>**HK$'000** | 2017<br>HK$'000 | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
| 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 | **346** | — | **339** | — |
| | **1,306** | — | **1,208** | — |
| Less: future finance charges | **(98)** | — | **N/A** | N/A |
| Present value of lease obligations | **1,208** | — | **1,208** | — |
| Less: amount due for settlement within one year (shown under current liabilities) | | | **(278)** | — |
| Amount due for settlement after one year | | | **930** | — |

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

## 26. 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**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| At 1 January | **9,408** | 9,056 |
| Imputed interest (Note 8) | **900** | 1,052 |
| Interest paid | **(700)** | (700) |
| At 31 December | **9,608** | 9,408 |

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current portion (included in interest payables under other payables) | **700** | 700 |
| Non-current portion | **8,908** | 8,708 |
| | **9,608** | 9,408 |

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.

## 27. Share Capital

| | **Number of shares**<br>'000 | **Share capital**<br>HK$'000 |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of HK$0.005 each as at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 | 20,000,000 | 100,000 |
| Ordinary shares of HK$0.005 each as at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 | 982,000 | 4,910 |

## 28. Capital Risk Management

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

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

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

## 29. Financial Instruments

### Categories of financial instruments

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Financial assets at FVTPL / held-for-trading investment | **376** | 855 |
| Financial assets at amortised cost / loans and receivables (including bank balances and cash) | **147,282** | 136,372 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **90,930** | 62,478 |

## 30. Financial Risk Management Objectives and Policies

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

### Market risk

#### Currency risk

The Group undertakes certain transactions denominated in currencies other than the functional currencies of the respective group's entities, which expose the Group to foreign exchange rate fluctuation. The Group has certain bank balances and cash denominated in HK$/US$/RMB which are not the functional currencies of the relevant group entities. In addition, the Group has trade and other payables, loan from the ultimate holding company and corporate bonds denominated in HK$ which is not the functional currency of the relevant group entity and in aggregate account for approximately 83% (2017: 89%) of the Group's total liabilities. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$ and HK$ against RMB.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| HK$ | **5,806** | 3,970 | **77,008** | 61,954 |
| US$ | **80** | 80 | **–** | – |
| RMB | **116** | 122 | **–** | – |

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

## 30. Financial Risk Management Objectives and Policies (Continued)

### Market risk (Continued)

### Currency risk (Continued)

*Sensitivity analysis*

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

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the respective reporting entity's functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the borrower. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2018 and 2017.

| | HK$ | | US$ | | RMB | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Impact on post-tax loss for the year | **2,973** | 2,421 | **(3)** | (3) | **(5)** | (5) |

### Interest rate risk

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

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

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

*Sensitivity analysis*

The Group's variable-rate bank balances are short-term in nature and the exposure of interest rate in minimal as at 31 December 2018 and 2017 and no sensitivity analysis to interest rate risk on this is presented.

## 30. Financial Risk Management Objectives and Policies (Continued)

### Market risk (Continued)

#### Other price risk

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

*Sensitivity analysis*

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

If the prices of the respective equity instrument had been 5% (2017: 5%) higher/lower, the post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately HK$16,000 (2017: HK$36,000) as a result of the changes in fair value of the financial asset at FVTPL / held-for-trading investment.

### Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The credit risk of our Group mainly arises from bank balances and cash, trade and other receivables and finance lease receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise 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 security deposits as 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.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually for debtors with significant balances and / or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

## 30. Financial Risk Management Objectives and Policies (Continued)

### Credit risk (Continued)

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because they are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

### The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked the chief financial officer to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the chief financial officer using other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

## 30. Financial Risk Management Objectives and Policies (Continued)

### Credit risk (Continued)

### The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising ECL |
|---|---|---|
| Performing | For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1) | 12—month ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2) | Lifetime ECL — not credit impaired |
| Default | Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL — credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

| 31 December 2018 | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount<br>HKD'000 | Loss allowance<br>HKD'000 | Net carrying amount<br>HKD'000 |
|---|---|---|---|---|---|
| **Trade receivables** | **(Note (a))** | **Lifetime ECL (simplified approach)** | **15,452** | **—** | **15,452** |
| **Other receivables** | **Performing** | **12—month ECL** | **2,605** | **—** | **2,605** |
| **Other receivables** | **Default** | **Lifetime ECL — credit impaired (Note (b))** | **1,096** | **(1,096)** | **—** |
| **Finance lease receivables** | **Performing** | **12-month ECL** | **56,920** | **—** | **56,920** |

Notes:

(a) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

(b) The basis for recognising ECL of certain other receivables has changed from 12-month ECL to Lifetime ECL — credit impaired. The amount has classified as doubtful while the amount was past due over 30 days which was determined as significant increase in credit risk. As at the year ended 31 December 2018, the amount has classified as default as no response received from debtors which was determined as detrimental impact on the estimated future cash flow.

# 30. Financial Risk Management Objectives and Policies (Continued)

## Credit risk (Continued)

### The Group's exposure to credit risk (Continued)

The carrying amount of the Group's financial asset at FVTPL as disclosed in Note 19 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

The Group has concentration of credit risk of finance lease receivables, as 48% (2017: 52%) and 76% (2017: 100%) of the total finance lease receivables at 31 December 2018 was due from the Group's largest lessee and the five (2017: five) largest lessees respectively within the provision of finance lease and consultancy service segment.

The Group's concentration of credit risk in respect of the provision of finance lease and consultancy service segment by geographical locations is mainly in the PRC, which accounted for all of the finance lease receivables at 31 December 2018 and 2017.

The Group has concentration of credit risk of trade receivables, as 100% (2017: 100%) of the total trade receivables at 31 December 2018 was due from the Group's largest debtor within the trading business — nutritional food products segment.

The Group's concentration of credit risk in respect of the trading business — nutritional food products segment by geographical locations is mainly in HK, which accounted for all of the trade receivables at 31 December 2018 and 2017.

## Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

## 30. Financial Risk Management Objectives and Policies (Continued)

### Liquidity risk (Continued)

The table includes both interest and principal cash flows.

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

| | At 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Within one year or on demand HK$'000 | More than one year less than two years HK$'000 | More than two years less than five years HK$'000 | More than five years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount HK$'000 |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables | 3,770 | — | — | — | 3,770 | 3,770 |
| Other borrowing | 52,500 | — | — | — | 52,500 | 50,000 |
| Corporate bonds | — | 700 | 2,100 | 10,350 | 13,150 | 8,708 |
| | 56,270 | 700 | 2,100 | 10,350 | 69,420 | 62,478 |

## 31. Fair Value Measurements Recognised in the Consolidated Statement of Financial Position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1.

Fair value of financial assets that are measured at fair value on a recurring basis

| **Financial instruments** | **Fair value as at** | | **Fair value hierarchy** | **Valuation technique and key inputs** |
|---|---|---|---|---|
| | **2018** | 2017 | | |
| | **HK$'000** | HK$'000 | | |
| Financial asset at FVTPL / held-for-trading investment — listed equity securities | **376** | 855 | Level 1 | Quoted price in an active market |

There was no transfer between levels of fair value hierarchy in the current and prior years.

The directors of the Company consider that the fair values of current assets and current liabilities approximate to its carrying amount largely due to the short term maturity of the instrument.

The directors of the Company also consider that the fair value of the long-term portion of financial liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

## 32. Disposal of a Subsidiary

On 16 March 2017, the Group disposed of a subsidiary, 東莞豐正針織有限公司 ("豐正針織"), which is inactive, at a cash consideration of RMB43,000,000 (equivalent to approximately HK$47,859,000). The net assets of 豐正針織 at the date of disposal were as follows:

| | HK$'000 |
|---|---|
| Total cash consideration received | 47,859 |
| Analysis of assets and liabilities which control was lost: | |
| Bank balances and cash | 47,859 |
| Other payables | (19,137) |
| Income tax payables | (537) |
| Net assets disposed of | 28,185 |
| Gain on disposal of a subsidiary | 19,674 |
| Net cash outflow arising on disposal | |
| Cash consideration received | 47,859 |
| Less: bank balances and cash disposed of | (47,859) |
| | – |

The disposed subsidiary has no significant impact on the Group's results and cash flows for both years.

## 33. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | **1 January 2018 HK$'000** | **Financing cash flows HK$'000** | **Non-cash changes: Finance costs incurred HK$'000 (Note 8)** | **Non-cash changes: New finance lease arrangement HK$'000 (Note 41)** | **31 December 2018 HK$'000** |
|---|---|---|---|---|---|
| Other borrowing (Note 23) | **50,000** | **(50,000)** | **—** | **—** | **—** |
| Loan from the ultimate holding company (Note 22) | **—** | **65,000** | **—** | **—** | **65,000** |
| Corporate bonds (Note 26) | **8,708** | **(700)** | **900** | **—** | **8,908** |
| Obligation under finance lease (Note 25) | **—** | **(610)** | **—** | **1,818** | **1,208** |
| Interest payables included under trade and other payables (Note 21) | **1,533** | **(5,635)** | **5,978** | **—** | **1,876** |
| | **60,241** | **8,055** | **6,878** | **1,818** | **76,992** |

| | 1 January 2017 HK$'000 | Financing cash flow HK$'000 | Non-cash changes: Finance costs incurred HK$'000 | Non-cash changes: Loss on early redemption HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|---|---|---|
| Other borrowing (Note 23) | 80,000 | (30,000) | — | — | 50,000 |
| Convertible bonds (Note 24) | 58,812 | (60,000) | 1,147 | 41 | — |
| Corporate bonds (Note 26) | 8,356 | (700) | 1,052 | — | 8,708 |
| Interest payables included under trade and other payables (Note 21) | 7,216 | (19,607) | 13,924 | — | 1,533 |
| | 154,384 | (110,307) | 16,123 | 41 | 60,241 |

## 34. 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<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | **4,268** | 4,385 |
| In the second to fifth years inclusive | **1,975** | 3,180 |
| | **6,243** | 7,565 |

## 35. Capital Commitment

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of contracted commitments for capital contribution to investees | **11,618** | 11,766 |

## 36. Retirement Benefit Schemes

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

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

The total cost charged to profit or loss of approximately HK$371,000 (2017: HK$313,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 37. Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

### Compensation of key management personnel

The remuneration of key management personnel during the years was as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Short-term benefits | **4,883** | 4,933 |
| Post-employment benefits | **91** | 98 |
| | **4,974** | 5,031 |

The remuneration of the directors of the Company and other key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

## 38. Share Option Scheme

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

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

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.

## 39. Statement of Financial Position of the Company

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Non-current asset | | | |
| Investment in a subsidiary | | **17,138** | 17,138 |
| Current assets | | | |
| Other receivables | | **1,531** | 1,454 |
| Amounts due from subsidiaries | (a) | **25,102** | 17,103 |
| Bank balances and cash | | **4,729** | 2,409 |
| | | **31,362** | 20,966 |
| Current liabilities | | | |
| Other payables | | **2,949** | 3,246 |
| Loan from the ultimate holding company | (b) | **65,000** | — |
| Other borrowing | | **—** | 50,000 |
| Amounts due to subsidiaries | (a) | **163,072** | 154,572 |
| | | **231,021** | 207,818 |
| Net current liabilities | | **(199,659)** | (186,852) |
| Total assets less current liabilities | | **(182,521)** | (169,714) |
| Non-current liability | | | |
| Corporate bonds | | **8,908** | 8,708 |
| | | **(191,429)** | (178,422) |
| Capital and reserves | | | |
| Share capital | | **4,910** | 4,910 |
| Reserves | (c) | **(196,339)** | (183,332) |
| | | **(191,429)** | (178,422) |

## 39. Statement of Financial Position of the Company (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) The amount is unsecured, carrying fixed interest rate at 9.5% (2017: Nil) per annum and repayable within one year.

(c) Reserves

| | Share premium HK$'000 | Other reserve (Note) HK$'000 | Convertible bonds equity reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 190,049 | 81,270 | 4,244 | (6,172) | (433,795) | (164,404) |
| Loss for the year and total comprehensive expense for the year | — | — | — | — | (18,928) | (18,928) |
| Transfer to accumulated losses upon early redemption of convertible bonds | — | — | (4,244) | — | 4,244 | — |
| **At 31 December 2017 and 1 January 2018** | **190,049** | **81,270** | **—** | **(6,172)** | **(448,479)** | **(183,332)** |
| **Loss for the year and total comprehensive expense for the year** | **—** | **—** | **—** | **—** | **(13,007)** | **(13,007)** |
| **At 31 December 2018** | **190,049** | **81,270** | **—** | **(6,172)** | **(461,486)** | **(196,339)** |

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

## 40. Subsidiaries of the Company

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial years end date of 31 December 2018 and 2017:

| Name of Company | Place/Country of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of equity interest attributable to the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | | Indirect | | | | |
| | | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | |
| Wide Reach | British Virgin Islands | Ordinary shares US$3,000 | **100%** | 100% | **–** | – | **100%** | 100% | Investment holding |
| West Harbour Group Limited 宏海集團有限公司 | British Virgin Islands | Ordinary shares US$1 | **100%** | 100% | **–** | – | **100%** | 100% | Investment holding |
| Fornton Knitting Company Limited 豐臨針織有限公司 (Note e) | Hong Kong | Ordinary shares HK$10,000,000 | **–** | – | **–** | 100% | **–** | 100% | Inactive |
| Nice Regent Industries Limited 毅俊實業有限公司 | Hong Kong | Ordinary shares HK$10,000 | **–** | – | **100%** | 100% | **100%** | 100% | Inactive |
| Fornton Holdings Company Limited 豐臨控股有限公司 | Hong Kong | Ordinary shares HK$10,000 | **–** | – | **100%** | 100% | **100%** | 100% | Inactive |
| Bravo Magic Holdings Limited | British Virgin Islands | Ordinary shares US$50,000 | **–** | – | **100%** | 100% | **100%** | 100% | Inactive |
| Prokit Limited 博奇有限公司 | Hong Kong | Ordinary shares HK$1 | **–** | – | **100%** | 100% | **100%** | 100% | Inactive |
| Peak Matrix Holdings Limited | British Virgin Islands | Ordinary shares US$50,000 | **–** | – | **100%** | 100% | **100%** | 100% | Inactive |
| Sino Top Capital Resources Limited 華威資本有限公司 | Hong Kong | Ordinary shares HK$1 | **–** | – | **100%** | 100% | **100%** | 100% | Finance leasing |

## 40. Subsidiaries of the Company (Continued)

| Name of Company | Place/Country of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of equity interest attributable to the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | | Indirect | | | | |
| | | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | |
| Shanxi Sino Top Leasing Limited* 山西華威融資租賃有限公司 (Note a) | The PRC | Ordinary shares US$10,000,000 | – | – | 100% | 100% | 100% | 100% | Finance leasing and trading of metal and equipment |
| World Channel Development Limited | British Virgin Islands | Ordinary shares US$1 | – | – | 100% | 100% | 100% | 100% | Investment holding |
| Dailuyang Electronic Commerce Limited 帶路羊電子商貿有限公司 | Hong Kong | Ordinary shares HK$1 | – | – | 100% | 100% | 100% | 100% | Trading in nutritional food products |
| Infinity Financial Group (Holdings) Limited (formerly known as Forton Group Limited) | Hong Kong | Ordinary shares HK$1 | – | – | 100% | 100% | 100% | 100% | Inactive |
| Rong Shan Capital Resources Limited 融山資本有限公司 | Hong Kong | Ordinary shares HK$10,000 | – | – | 100% | 100% | 100% | 100% | Inactive |
| Taili Asia Development Co. Ltd (Note f) | Hong Kong | Ordinary shares HK$10,000 | – | – | 100% | – | 100% | – | Investment holding |
| Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd* 亞太鯤鵬融資租賃(深圳)有限公司 (Notes a and f) | The PRC | Ordinary shares US$2,000,000 (Note b) | – | – | 100% | – | 100% | – | Finance leasing and related consultancy service |
| 深圳市前海中茂商業保理有限公司 (Note a) | The PRC | Ordinary shares RMB40,000 | – | – | 100% | 100% | 100% | 100% | Inactive |
| 深圳市正原供應鏈有限公司 (Notes a and f) | The PRC | (Note c) | – | – | 100% | – | 100% | – | Inactive |
| 融元融資租賃(上海)有限公司 (Note a) | The PRC | (Note d) | – | – | 100% | 100% | 100% | 100% | Inactive |

* English name is for identification purpose only.

## 40. Subsidiaries of the Company (Continued)

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

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

Note c: The registered capital of 深圳市正原供應鏈有限公司 amounted to RMB60,000,000 (equivalent to approximately HK$68,339,000) which remained outstanding and not yet paid up to the report date.

Note d: The registered capital of 融元融資租賃(上海)有限公司 amounted to US$50,000,000 (equivalent to approximately HK$391,700,000) which remained outstanding and not yet paid up to the report date.

Note e: Such company was deregistered during the year ended 31 December 2018.

Note f: Such company was newly incorporated or acquired during the year ended 31 December 2018.

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

## 41. Major Non-Cash Transaction

During the year ended 31 December 2018, the Group entered into finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of approximately HK$1,818,000 (2017: Nil).

# Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **137,647** | 77,150 | 61,742 | 130,796 | 287,950 |
| Cost of sales | **(130,451)** | (70,252) | (50,436) | (112,979) | (230,712) |
| Gross profit | **7,196** | 6,898 | 11,306 | 17,817 | 57,238 |
| Other operating income | **911** | 8,518 | 4,585 | 732 | 5,364 |
| Gain on disposal of a subsidiary | **—** | 19,674 | — | — | — |
| Gain on early redemption of convertible bonds | **—** | — | — | 4,992 | 17,928 |
| Change in fair value of held-for-trading investment | **(479)** | (3,249) | 2,924 | (11,252) | — |
| Selling and distribution expenses | **(467)** | (609) | (2,611) | (2,532) | (7,615) |
| Administrative and other expenses | **(21,805)** | (25,945) | (43,739) | (57,732) | (77,902) |
| Share of result of joint venture | **—** | — | — | — | — |
| Finance costs | **(6,878)** | (16,123) | (14,836) | (27,692) | (15,947) |
| (Loss) profit before taxation | **(21,522)** | (10,836) | (42,371) | (75,667) | (20,934) |
| Income tax (expense) credit | **(486)** | (72) | (573) | (1,743) | (2,506) |
| (Loss) profit for the year | **(22,008)** | (10,908) | (42,944) | (77,410) | (23,440) |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences arising on translation of foreign operations and total other comprehensive income (expense) | **(3,473)** | 6,109 | (7,189) | (7,034) | (2,754) |
| Release of revaluation reserve upon disposal of available-for-sale investment | **—** | — | (330) | — | — |
| Total comprehensive (expense) income for the year | **(25,481)** | (4,799) | (50,463) | (84,444) | (26,194) |
| (Loss) earnings per share (HK cents) Basic and diluted | **(2.24)** | (1.11) | (4.37) | (8.00) | (2.58) |

## ASSETS AND LIABILITIES

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **TOTAL ASSETS** | **160,511** | 159,143 | 277,914 | 359,824 | 565,631 |
| **TOTAL LIABILITIES** | **(93,009)** | (66,160) | (180,132) | (211,579) | (354,314 |
| **NET ASSETS** | **67,502** | 92,983 | 97,782 | 148,245 | 211,317 |