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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Momentum Financial Holdings Limited (the "**Company**") would like to announce the consolidated final results of the Company and its subsidiaries (collectively refer to as the "**Group**") for the year ended 31 December 2021 (the "**Annual Results**"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**2021** ***HK\$'000***	2020 *HK\$'000*
Revenue	*4*	**651,441**	353,958
Cost of sales		**(594,357)**	(329,081)
Gross profit		**57,084**	24,877
Other operating income	*6*	**672**	4,120
Gain on modification of loan from the ultimate holding company		**–**	3,304
Change in fair value of financial asset at fair value through profit or loss ("**FVTPL**")		**182**	(68)
Administrative and other expenses		**(16,898)**	(19,183)
Selling and distribution expenses		**(1,003)**	(440)
Reversal of impairment loss/(impairment loss) on finance lease receivables		**146**	(443)
Impairment loss on trade receivables		**(13,326)**	(1,477)
Reversal of impairment loss/(impairment loss) on other receivables and deposits		**481**	(323)
Profit from operation		**27,338**	10,367
Gain on bargain purchase		**–**	59
Finance costs	*7*	**(6,436)**	(5,248)

	Note	2021 HK$'000	2020 HK$'000
Profit before tax		**20,902**	5,178
Income tax expense	*8*	**(5,091)**	(258)
Profit for the year	*9*	**15,811**	4,920
Other comprehensive income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**1,654**	6,306
		1,654	6,306
Total comprehensive income for the year		**17,465**	11,226
Profit for the year attributable to:			
— the owners of the Company		**15,628**	4,511
— non-controlling interests		**183**	409
		15,811	4,920
Total comprehensive income for the year attributable to:			
— the owners of the Company		**17,204**	10,794
— non-controlling interests		**261**	432
		17,465	11,226
Earnings per share (HK cents)	*10*		
Basic		**1.59**	0.46
Diluted		**1.59**	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**8,075**	9,080
Right-of-use assets		**364**	2,665
Interest in a joint venture		**–**	–
Finance lease receivables	*12*	**5,509**	15,540
		13,948	27,285
Current assets			
Inventories		**2,307**	–
Trade and other receivables	*13*	**332,165**	319,103
Finance lease receivables	*12*	**9,516**	21,402
Financial assets at FVTPL		**331**	149
Tax recoverables		**1,382**	1,345
Bank balances and cash		**7,197**	11,738
		352,898	353,737
Current liabilities			
Trade and other payables	*14*	**136,859**	200,731
Loan from the ultimate holding company		**50,000**	50,000
Lease liabilities		**129**	1,452
Bank borrowings		**1,840**	1,782
Promissory notes		**32,285**	10,468
Convertible bonds		**42,525**	–
Corporate bonds		**10,340**	–
Tax payables		**5,301**	769
		279,279	265,202
Net current assets		**73,619**	88,535
Total assets less current liabilities		**87,567**	115,820
Non-current liabilities			
Other payables	*14*	**749**	1,915
Lease liabilities		**10**	1,120
Promissory notes		**3,094**	–
Convertible bonds		**–**	38,152
Corporate bonds		**–**	9,372
		3,853	50,559
NET ASSETS		**83,714**	65,261
Capital and reserves			
Share capital		**4,910**	4,910
Reserves		**75,274**	58,070
		80,184	62,980
Non-controlling interests		**3,530**	2,281
TOTAL EQUITY		**83,714**	65,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Momentum Financial Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

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

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions

The application of all new amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 Leases — COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Presentation of Financial Statements — Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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

4. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Cross-border trading of nutrition food and health care products	**646,591**	335,451
— Consultancy and other service income	**2,613**	14,286
Revenue from other sources	**649,204**	349,737
— Interest income from provision of finance leasing service	**2,237**	4,221
	651,441	353,958

5. SEGMENT INFORMATION

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

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

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

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

Segment revenues and results

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

For the year ended 31 December 2021

	Provision of finance leasing and consultancy service *HK$'000*	Cross-border trading business — nutrition food and health care products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	**2,237**	**646,591**	**2,613**	**651,441**
Segment profit	**(609)**	**39,364**	**(126)**	**38,629**
Unallocated other operating income				**78**
Change in fair value of financial asset at FVTPL				**182**
Unallocated expenses				**(11,690)**
Finance costs				**(6,297)**
Profit before tax				**20,902**

For the year ended 31 December 2020

	Provision of finance leasing and consultancy service *HK$'000*	Cross-border trading business — nutrition food and health care products *HK$'000*	Other *HK$'000*	Total *HK$'000*
Segment revenue	6,055	335,451	12,452	353,958
Segment profit/(loss)	4,063	15,646	1,255	20,964
Unallocated other operating income				4,061
Gain on modification of loan from the ultimate holding company				3,304
Gain on bargain purchase				59
Change in fair value of financial asset at FVTPL				(68)
Unallocated expenses				(17,894)
Finance costs				(5,248)
Loss before tax				5,178

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

Segment assets and liabilities

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

	2021	2020
	HK$'000	*HK$'000*
Segment assets		
Cross-border trading business of nutrition food and health care products	**308,370**	237,047
Finance leasing business	**26,145**	55,637
Others	**13,775**	17,353
Total segment assets	**348,290**	310,037
Unallocated corporate assets	**18,556**	70,985
Total assets	**366,846**	381,022

	2021	2020
	HK$'000	*HK$'000*
Segment liabilities		
Cross-border trading business of nutrition food and health care products	**128,601**	174,716
Finance leasing business	**1,337**	9,768
Others	**5,673**	14,393
Total segment liabilities	**135,611**	198,877
Unallocated corporate liabilities	**147,521**	116,884
Total liabilities	**283,132**	315,761

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

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

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

6. OTHER OPERATING INCOME

	2021	2020
	HK$'000	*HK$'000*
Finance lease handling income	**–**	133
Finance lease penalty income	**115**	45
Bank interest income	**32**	25
Exchange gain, net	**4**	–
Gain on termination of lease contracts	**62**	3,583
Gain on disposals of property, plant and equipment	**15**	–
Others	**444**	334
	672	4,120

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interests on:		
— bank borrowings	**140**	26
Effective interest expenses on:		
— convertible bonds	**4,373**	3,913
— corporate bonds	**968**	864
— promissory notes	**911**	301
— lease liabilities	**44**	144
	6,436	5,248

8. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
— Provision for the year	**4,830**	65
— Overprovision in prior years	**(84)**	–
	4,746	65
PRC EIT		
— Provision for the year	**316**	626
— Under/(over) provision in prior years	**29**	(433)
	345	193
	5,091	258

Under the two-tiered Profits Tax Regime, one of the Company's Hong Kong subsidiaries is subjected to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of its estimated assessable profits and at 16.5% on its estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries not qualifying for the two-tiered Profit Tax Regime are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2021.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2020: 25%) during the year.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2021	2020
	HK$'000	*HK$'000*
Directors' and chief executive's emoluments	**1,937**	2,812
Salaries and other allowances (excluding directors' and chief executive's emoluments)	**4,126**	5,009
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**186**	185
Total staff costs	**6,249**	8,006
Auditor's remuneration	**720**	710
Amount of inventories recognised as an expense	**593,802**	318,435
Depreciation of property, plant and equipment	**738**	922
Depreciation on right-of-use assets	**581**	1,326
Gain on disposals of property, plant and equipment	**(15)**	–
Exchange loss, net (included in administrative and other expenses)	**–**	3
Impairment loss on trade receivables	**13,326**	1,477
(Reversal of impairment loss)/impairment loss on finance lease receivables	**(146)**	443
Reversal of impairment loss/(impairment loss) on other receivables and deposits	**(481)**	323
Lease payments in respect of short-term operating lease for rented premises	**813**	1,005

10. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Earnings for the year attributable to the owners of the Company for the purpose of basic earnings per shares	**15,628**	4,511

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number ordinary shares for the purpose of basic and diluted earnings per share	**982,000**	982,000

Diluted earnings per share were the same as the basic earnings per share for the years ended 31 December 2021 and 2020 as the computation of diluted earnings per share did not assume the conversion of the Company's outstanding convertible bonds since the exercise price of the convertible bonds is higher than the average market price of the ordinary share for the years ended 31 December 2021.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

12. FINANCE LEASE RECEIVABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within one year	**10,454**	24,349
In the second year	**6,136**	10,590
In the third year	**656**	5,942
In the fourth year	**–**	636
In the fifth year	**–**	–
Undiscounted lease payments	**17,246**	41,517
Less: unearned finance income	**(1,240)**	(3,481)
Present value of minimum lease payments	**16,006**	38,036
Impairment loss as recognised	**(981)**	(1,094)
Net investment in lease	**15,025**	36,942

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

Movements of impairment loss as recognised is as follows:

	2021	2020
	HK$'000	*HK$'000*
At beginning of year	**1,094**	589
Impairment loss (reversed)/recognised for the year	**(146)**	443
Exchange realignment	**33**	62
At end of the year	**981**	1,094

The effective interest rates of the above finance leases range from 9% to 13% (2020: 9% to 13%) per annum. The relevant lease contracts entered into of approximately HK$14,877,000 (2020: HK$36,942,000) was aged within 3–5 years (2020: 3–5 years) at the end of the reporting period.

As at 31 December 2021 and 2020, all the finance lease receivables were secured by the leased assets and customers' deposits (2020: leased assets and customers' deposits). The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.

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

Deposits of approximately HK$1,229,000 (2020:HK$3,916,000) have been received by the Group to secure certain finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing. In addition, the finance lease receivables are secured over the leased assets, mainly machinery leased, as at 31 December 2021 and 2020. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

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

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**320,916**	253,320
Less: allowance for impairment losses	**(15,878)**	(2,621)
	305,038	250,699
Other receivables	**21,805**	15,113
Less: allowance for impairment losses	**(1,429)**	(1,128)
	20,376	13,985
Deposits and prepayments	**6,751**	55,143
Less: allowance for impairment losses	**–**	(724)
	6,751	54,419
	332,165	319,103

The Group generally allows an average credit period of 60–180 days (2020: 0–30 days) to its trade customers. Set out below the ageing analysis of the Group's trade receivables, net of impairment losses and based on invoice date, at the end of reporting period.

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**9,184**	35,095
31–60 days	**8,082**	43,130
Over 60 days	**287,772**	172,474
	305,038	250,699

14. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Non-current		
Security deposit for finance lease receivables	**749**	1,915
Current		
Trade payables	**123,447**	182,803
Other payables	**12,537**	13,834
Security deposit for finance lease receivables	**480**	2,001
Interest payables	**–**	700
Value added tax payables	**395**	1,393
	136,859	200,731

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

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**–**	32,859
31–60 days	**18,319**	37,397
Over 60 days	**105,128**	112,547
	123,447	182,803

The average credit period on purchases of goods is 30 days (2020: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. CAPITAL COMMITMENT

	2021	2020
	HK$'000	*HK$'000*
Capital expenditure in respect of contracted commitments for capital contribution to investees	**12,021**	11,640

16. SHARE OPTION SCHEME

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

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

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

No share option was granted since the adoption of the Scheme up to the year ended 31 December 2021.

17. CONTINGENT LIABILITIES

Modification of Loan from the ultimate holding company

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

The Loan Agreement was further supplemented on 29 October 2020 and 18 May 2022 under which all interest payable so accrued on the Shareholder's Loan under the Loan Agreement, up to 31 December 2021 shall be waived by Triumph and Great Wall conditionally if (i) the shares of the Company were not halted or suspended from trading for more than 18 months; and (ii) the Company was not delisted from the Stock Exchange of Hong Kong Limited ("**Loan Modification**").

As the payment of interest on the Shareholder's Loan is dependent upon if the conditions of the Loan Modification cannot be met and the probability of which cannot be ascertained reliably as at 31 December 2021. Thus, no interest on the Shareholder's Loan had been provided during the year ended 31 December 2021 (2020: Nil). However, interest of approximately HK$12,728,000 so accrued on the Shareholder's Loan for the period from May 2018 to 31 December 2021 shall be payable to Great Wall immediately should the conditions of the Loan Modification have not been met.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

In view of the market growth in nutritional food products and health care products, the Group advanced its cross-border trading business ("**CBTB**") related to nutritional food products and health care products through various co-operation during the year ended 31 December 2021 ("**Year**" or "**Reporting Period**").

As Covid-19 continues to rampage around the world unchecked and the global economy goes into recession, the cancellation of international flight and lock down measures of foreign countries, especially the United States and European countries, negatively affected the cross-border delivery of products. The Chinese central government has put forward the "dual circulation" strategy to boost the country's development. China will take the domestic markets and consumption as the mainstay while letting internal and external markets boost each other. Against this backdrop, it is expected that expansion and upgrading of the mainland consumer market will be a major force driving the "dual circulation" model, with cross-border e-commerce (CBEC) retail imports serving as an important link connecting the domestic consumer market with the international supply chain. In early 2020 and 2021 when the coronavirus swept through China, CBEC imports, providing mainland consumers with a fast, convenient and safe source of quality products from all over the world, were extremely popular. Imports and exports of China's cross-border e-commerce totalled RMB1.98 trillion (US$311.5 billion) in 2021, up 15% year-on-year. E-commerce exports stood at RMB1.44 trillion, an increase of 24.5 percent on a yearly basis. Cross-border e-commerce is set to play a bigger role in bolstering the development of foreign trade during the 14th Five-Year Plan period (2021–25). In the long term, the outbreak of COVID-19 is not expected to impact the overall development of cross-border e-commerce export B2C industry adversely and severely. The pandemic caused a shift in business from physical stores to the internet, while consumers' spending more time at home also drove up the number of pageviews of e-commerce platforms. According to a 2021 white paper on the digital growth of emerging brands issued by Ebrun Research Institute, the post-90s and Z generations accounted for almost half of the online sales of health products.

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

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

As such, the Board is of the view that it is a good time to capture the opportunity to enter into the PRC market directly through cross-border trading business/cross-border e-commerce.

Through the acquisition of the entire equity interests of 深圳越洋供應鏈管理有限公司* (Shenzhen Yueyang Supply Chain Management Company Limited, "Shenzhen Yueyang") in October 2020, the Group possesses a system which is automatic and linked directly to the PRC Custom and Exercise Department for conducting clearance and delivery of shipments enabling the Group to provide considerable full customs clearance. While the customer base is not broad, the customers are substantial customers with a considerable number of online and offline customers in the PRC.

Currently, the Group has three tax-bonded warehouses in the PRC, which are located in Nanshan district of Shenzhen, Yiwu and Nanchang.

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

2. ***Provision of finance leasing and consultancy service***

The finance leasing business has been one of the principal businesses of the Group since 2014. The Group is from time to time looking for suitable opportunities to expand its finance leasing business.

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

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

(i) Direct finance leasing

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

(ii) Sale and leaseback

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

In summary, during the year ended 31 December 2021, the Group had made strategic tailor-made arrangements to support the Group's position as follows: (i) it introduced new customers and suppliers; (ii) it strengthened product lines and platform for products; (iii) it improved operations and reducing operating costs; and (iv) it solicited new financing facilities in the market to support and strengthen the businesses and operations of the Group.

Financial Review

Revenue

For the Year, cross-border trading business — nutrition food and health care products segment recorded a segment revenue of approximately HK$646.6 million (2020: HK$335.5 million), showing an increase of 92.7% comparing with last year. Finance leasing business segment recorded a segment revenue of approximately HK$2.2 million (2020: HK$6.1 million), showing a decrease of 63.9% comparing with last year.

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

Cost of Sales and Gross Profit

The Group's cost of sales during the Reporting Period increased by 80.6% to approximately HK$594.4 million compared to the year ended 31 December 2020 (the "**Corresponding Period**") which was driven by the increase in revenue.

The gross profit margin of the Group increased from approximately 7.0% for the Corresponding Period to approximately 8.7% for the Reporting Period. The gross profit had increased by 129.5% to approximately HK$57.1 million compared to the Corresponding Period due to the increase in revenue. The increase in gross profit margin was mainly attributable to the increase in the gross margin from cross-border trading business — nutrition food and health care products segment.

Expenses

The administrative and other expenses accounted for the largest portion of the operating cost. The administrative and other expenses decreased by 11.9% to approximately HK$16.9 million when compared to the Corresponding Period, which is mainly because of cost saving measures implemented by the Group.

Tax

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

The tax rate applicable to the Group's PRC subsidiaries was 25% (2020: 25%) during the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately HK$15.8 million (2020: HK$4.9 million for the Reporting Period). The increase in profit was mainly due to the Group's (i) introduction of new customers and suppliers; (ii) strengthening product lines and platform for products; and (iii) improvement of operations and reducing operating costs.

Liquidity, Financial Resources and Capital Structure

The Group had total cash and bank balances of approximately HK$7.2 million as at 31 December 2021 (31 December 2020: HK$11.8 million). The current ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2021 and 31 December 2020 was 1.26 times and 1.33 times respectively. As at 31 December 2021, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and United States dollars ("**US$**").

At 31 December 2021, the total borrowings of the Group were approximately HK$140,223,000 (2020: HK$112,346,000) which comprised (i) loan from the ultimate holding company of HK$50,000,000 (2020: HK$50,000,000); (ii) domestic bank borrowings of HK$1,840,000 (2020: HK$1,782,000); (iii) convertible bond of HK$42,525,000 (2020: HK$38,152,000); (iv) promissory notes of HK$35,379,000 (2020: HK$10,468,000); (v) corporate bonds of HK$10,340,000 (2020: HK$9,372,000) and (vi) lease liabilities of HK$139,000 (2020: HK$2,572,000) respectively.

The loan from the ultimate holding company is carried at fixed interest rate of 9.5% (2020: 9.5%) per annum and repayable within one year.

The Group's bank borrowings are denominated in RMB, repayable in one year and bearing a fixed interest of 7.80% (2020: 4.55%) per annum.

The convertible bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and 24 June 2022. The bonds are convertible to an aggregated of 195,000,000 ordinary shares of the Company at HK$0.2 per share. If the bonds are not converted, they will be redeemed at par on 24 June 2022. Interest of 5% per annum will be accrued and settled with the outstanding principal of the convertible bonds at the maturity date.

The Group's corporate bonds were unsecured and bearing an interest rate of 7% per annum, payable annually. The corporate bonds will be repayable on the expiry day of the ninetieth-month period from issuance of the relevant bonds.

Apart from the borrowings of approximately HK$1,840,000 (2020: HK$1,728,000) which were secured personal guarantee provided certain directors of a subsidiary and corporate guarantee provided by a subsidiary, others were unsecured. Short-term borrowings amounted to approximately HK$137,119,000 (2020: HK$63,702,000), while others were long-term borrowings due after one year.

In order to support and expand the finance leasing business and the cross-border trading business, the Group will strive to diversify its financing sources and explore fund raising opportunities.

Contingent Liabilities

Details of contingent liabilities are set out in note 17 "CONTINGENT LIABILITIES" above.

Gearing Ratio

The gearing ratio was 38.2% as at 31 December 2021 (2020: 28.8%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding year.

Pledge of Assets

As at 31 December 2021, assets in the net book value of HK$364,000 (held under finance lease arrangement) of the Group had been pledged (2020: HK$410,000).

Capital Expenditure

For the Year, the Group incurred approximately HK$Nil (2020: HK$512,000) on the acquisition of property, plant and equipment.

Capital Commitments

As at 31 December 2021, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$12.0 million (2020: HK$11.6 million).

Foreign Exchange Exposure

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

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

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 31 December 2021 (2020: Nil).

Compliance with Relevant Laws and Regulations

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

Employee and Remuneration Policy

As at 31 December 2021, the Group has a total workforce of approximately 40 employees (2020: 30) in Hong Kong and the PRC.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the Shareholders on 11 October 2011, the Group has adopted a share option scheme (the "**Scheme**") for the purpose of motivating eligible participants. For the year ended 31 December 2021, no share options were granted by the Group since the adoption of the Scheme.

Material Events

Reference is made to the announcements of the Company dated 20 December 2019, 3 January 2020, 9 June 2020, 17 June 2020, 28 October 2020, 25 March 2021 and 25 July 2021, relating to the decision of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to suspend the trading of the Company's shares under Rule 6.01(3) as the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 (effective from 1 October 2019) to warrant the continued listing of its shares.

Letters from the Listing Review Committee and suspension of trading

(1) On 3 November 2021, the Company received a letter from the Listing Review Committee which stated that it decided to uphold the Listing Committee's decision as the Company failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 to warrant a continued listing of its shares, and trading in the Company's shares be suspended under Rule 6.01(3).

As a result, the trading of the Company's shares was suspended with effect from 9:00 a.m. on Thursday, 4 November 2021 pending further notice.

Details of the letter was announced by the Company on 19 November 2021 and outlined below:

(a) The Listing Review Committee noted that where the issuer maintains a very low level of operating activities and revenue, raising an issue that the size and prospects of the issuer do not appear to justify the costs or purpose associated with a public listing, for example where the issuer's business does not generate sufficient revenue to cover corporate expenses, resulting in net losses and negative operating cash flow, the issuer would normally be considered not have a viable and sustainable business that meets Rule 13.24.

(b) The Listing Review Committee did not consider the finance leasing business of the Group was a business of substance as the business had a small scope of operation since commencement and recorded minimal revenue. The plan and initiatives to expand the business were preliminary and uncertain.

(c) The Listing Review Committee was of the view that the cross-border trading business had not been demonstrated to be of substance and sustainable in light of the following:

(i) The cross-border trading business had a limited number of customers and the plans to expand the Company's customer base were vague.

(ii) The cross-border trading business had a limited number of suppliers and the Listing Review Committee noted the Company did not appear to have a coherent business strategy in selecting its product offering.

(iii) The value-added services by the Company remained unclear. The Listing Review Committee is of the view that the increase in gross profit margin of the Company from 6% in the financial year ended 31 December 2019 to 7% in the financial year ended 31 December 2020 was minimal. The Listing Review Committee further expressed the view that it did not consider the Company had demonstrated its competitive advantage.

(iv) Zhituo, the newly commenced subsidiary which provided online marketing services, had a limited track record.

(d) In light of the substantial increase in the Company's revenue and profits since the financial year ended 31 December 2020, the Listing Review Committee considered it uncertain whether such levels could be maintained in the long run in light of concerns over the sustainability and substance of the Company's businesses.

(2) On 11 November 2021, the Company received another letter from the Stock Exchange setting out the following guidance ("**Resumption Guidance**") for the resumption of trading in the shares of the Company:

(i) Demonstrate compliance with Rule 13.24.

The Stock Exchange may modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 6.01(A) of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the Company's shares has been suspended for 18 continuous months. In the case of the Company, the 18-month period expires on 3 May 2023. If the Company fails to remedy the issue(s) causing its trading suspension, fully comply with the Listing Rules to the satisfaction of the Stock Exchange and resume trading in its shares by 3 May 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10, the Stock Exchange also has the right to impose a shorter specific remedial period, when appropriate.

(3) On 1 April 2022, the Company received a letter from the Stock Exchange setting out the following guidance (the "**Additional Resumption Guidance**") for the resumption of trading in the shares of the Company:

(i) Publish all outstanding financial results and address any audit modifications.

The Additional Resumption Guidance was imposed as the Company has not been able to complete and publish its audited annual results for the year ended 31 December 2021 on or before 31 March 2022 in accordance with Rule 13.49(1) of the Listing Rules due to various delays caused by the severe pandemic, including but not limited to prolonged provision of audit confirmations from business partners of the Group, including bankers, customers and suppliers resulting from hindrance in postal services; and lack of manpower of the Company under the recent quarantine measures imposed in Hong Kong and the mainland China to prepare necessary documents and information required for the audit on a timely basis.

The delay in publication of audited annual results announcement of the Company for the year ended 31 December 2021 are disclosed by the announcements of the Company dated 30 March 2022, 27 April 2022 and 11 May 2022.

Upon publish of the audited annual results for the year ended 31 December 2021 herein, this Additional Resumption Guidance would have been fulfilled.

Quarterly Updates

On 8 February 2022 and 3 May 2022, the Company announced its quarterly updates on recent development.

The Group is carrying on its normal day-to-day operations. Our future business development is in line with our expectation. The Group will continue to review its existing businesses from time to time and strive to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential business and investment opportunities with the aim of broadening its source of income and maximising return to the Shareholders.

The Company is taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

Future Plans for Material Investments

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

Events after the balance sheet date

Subsequent to the end of the financial year ended 31 December 2021 and up to the date of this annual report, there is no significant or important event that affects the business of the Group.

Outlook and Prospect

During the COVID-19 pandemic, multiple government policies favorable to cross-border e-commerce export B2C industry have been promulgated, such as Guideline on further Stabilizing International Trade Business (《關於進一步做好穩外貿穩外資工作的意見》) and Reply of the State Council on Agreeing to Establish Comprehensive Cross-border E-commerce Pilot Zones in 46 Cities and Regions including Xiong'an New District (《國務院關於同意在雄安新區等46個城市和地區設立跨境電子商務綜合試驗區的批復》). These policies have brought and will continue to bring long-term benefits to cross-border e-commerce export B2C industry in China. Recently, the government further promulgated rules and regulations to support the development of cross-border e-commerce export industry, supporting the establishment of logistics infrastructure and expansion of the coverage of overseas warehouses.

The nationwide implementation of the three-child policy is expected to create more demand in the maternal and baby health food market. Statistics show that 94.7% of pregnant women consume health food products during pregnancy. Among these, milk powder, folic acid and multi-vitamin tablets are the most popular. An iiMedia Research report shows that the size of the maternal and baby health food market was up 21.8% year-on-year to over RMB60 billion in 2020, and is anticipated to exceed RMB70 billion in 2021. More than 70% of maternity and baby health food consumers prefer products recognised by state authorities or meeting national nutrient standards.

Young people lead a busy life and tend to have unrestrained eating habits, so they take health food to compensate. The health foods this group buys are mainly concerned with rejuvenation, slimming and nutrient replenishing. In particular, young people under 25 usually buy products with skin-whitening and complexion-improving effects, while young middle-agers tend to buy health products with anti-ageing functions. According to the findings of a mainland research consultancy, the market for young middle-agers was up 12.4% on the year to RMB70.09 billion in 2020, and is projected to reach RMB75.8 billion in 2021.

The Company had achieved a turnaround and had managed to achieve a net profit. Without COVID-19, the financial performance of the Group would have also been much better so there was scope for further growth and improvements. The Group is very optimistic for 2022 as it is expected that expansion and upgrading of the mainland consumer market will be a major force driving the "dual circulation" model, with cross-border trading business and retail imports serving as an important link connecting the domestic consumer market with the international supply chain. These provide ample opportunities to the Group.

As the consumer demand for products is becoming more diversified, the Group is still constantly looking for opportunities to diversify the products and spectrum of trading business including but not limited to the business collaboration opportunities with global distributors and suppliers of other products such as skin care, body care, food and beverage, cosmetic products and fragrances with the aim to diversify and strengthen its existing product mix and portfolio, offering a wider variety of products to its customers and thereby increasing the revenue of the Group.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 December 2021 with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2021.

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

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2021 have been compared by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by McMillan Woods in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this preliminary announcement of results.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive directors, namely, Mr. Wong Lap Wai, Mr. Yeh Tung Ming (resigned on 31 July 2021), Mr. Man Wai Lun (appointed on 27 August 2021), and Mr. Li Guang Jian; and is chaired by Mr. Wong Lap Wai.

The Audit Committee has reviewed and has agreed with the auditor of the Company on the annual results of the Group for the year ended 31 December 2021.

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

Hong Kong, 27 May 2022

As at the date of this announcement, the Board comprises two executive directors of the Company, namely, Mr. Liu Xin Chen and Mr. Zhang Rujie; and three independent non-executive directors of the Company, namely, Mr. Wong Lap Wai, Mr. Li Guang Jian and Mr. Man Wai Lun.