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 2022

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 2022 (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 2022

	Note	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*4*	**327,721**	651,441
Cost of sales		**(304,579)**	(594,357)
Gross profit		**23,142**	57,084
Other operating income	*6*	**363**	672
Change in fair value of financial asset at fair value through profit or loss ("**FVTPL**")		**(137)**	182
Administrative and other expenses		**(9,210)**	(16,898)
Selling and distribution expenses		**(19)**	(1,003)
Loss on disposals of subsidiaries		**(24)**	–
Reversal of impairment loss on finance lease receivables		**765**	146
Reversal of impairment loss/(impairment loss) on trade receivables		**3,192**	(13,326)
(Impairment loss)/reversal of impairment loss on other receivables and deposits		**(782)**	481
Profit from operation		**17,290**	27,338
Finance costs	*7*	**(870)**	(6,436)

	Note	2022 HK$'000	2021 HK$'000
Profit before tax		**16,420**	20,902
Income tax expense	*8*	**(1,239)**	(5,091)
Profit for the year	*9*	**15,181**	15,811
Other comprehensive income for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(8,636)**	1,654
		(8,636)	1,654
Total comprehensive income for the year		**6,545**	17,465
Profit for the year attributable to:			
— the owners of the Company		**15,297**	15,628
— non-controlling interests		**(116)**	183
		15,181	15,811
Total comprehensive income for the year attributable to:			
— the owners of the Company		**6,928**	17,204
— non-controlling interests		**(383)**	261
		6,545	17,465
Earnings per share (HK cents)	*10*		
Basic		**1.56**	1.59
Diluted		**1.56**	1.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**6,857**	8,075
Right-of-use assets		**1,352**	364
Interest in a joint venture		**–**	–
Finance lease receivables	*12*	**581**	5,509
		8,790	13,948
Current assets			
Inventories		**26,991**	2,307
Trade and other receivables	*13*	**301,781**	332,165
Finance lease receivables	*12*	**5,224**	9,516
Financial assets at FVTPL		**194**	331
Tax recoverables		**1,276**	1,382
Bank balances and cash		**8,188**	7,197
		343,654	352,898
Current liabilities			
Trade and other payables	*14*	**92,544**	136,859
Contract liabilities		**10,134**	–
Loan from the ultimate holding company		**50,000**	50,000
Lease liabilities		**642**	129
Bank and other borrowings		**13,026**	1,840
Promissory notes		**35,379**	32,285
Convertible bonds		**42,525**	42,525
Corporate bonds		**10,900**	10,340
Tax payables		**6,299**	5,301
		261,449	279,279
Net current assets		**82,205**	73,619
Total assets less current liabilities		**90,995**	87,567
Non-current liabilities			
Other payables	*14*	**239**	749
Lease liabilities		**497**	10
Promissory notes		**–**	3,094
		736	3,853
NET ASSETS		**90,259**	83,714
Capital and reserves			
Share capital		**4,910**	4,910
Reserves		**82,202**	75,274
		87,112	80,184
Non-controlling interests		**3,147**	3,530
TOTAL EQUITY		**90,259**	83,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 business.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

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 2022. 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 HKAS 1— Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1— Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2— Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8— Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12— Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16— Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
— Cross-border business	**326,130**	646,591
— Consultancy and other service income	**742**	2,613
Revenue from other sources	**326,872**	649,204
— Interest income from provision of finance leasing service	**849**	2,237
	327,721	651,441

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 business

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 2022

	Provision of finance leasing and consultancy service *HK$'000*	**Cross-border business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue	**849**	**326,130**	**742**	**327,721**
Segment profit/(loss)	**1,107**	**27,935**	**(4,610)**	**24,432**
Unallocated other operating income				**143**
Loss on disposals of subsidiaries				**(24)**
Change in fair value of financial asset at FVTPL				**(137)**
Unallocated expenses				**(7,271)**
Finance costs				**(723)**
Profit before taxation				**16,420**

For the year ended 31 December 2021

	Provision of finance leasing and consultancy service *HK$'000*	Cross-border business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	2,237	646,591	2,613	651,441
Segment profit/(loss)	(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 taxation				20,902

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:

	2022	2021
	HK$'000	*HK$'000*
Segment assets		
Cross-border business	**294,355**	308,370
Finance leasing business	**25,295**	26,145
Others	**16,139**	13,775
Total segment assets	**335,789**	348,290
Unallocated corporate assets	**16,655**	18,556
Total assets	**352,444**	366,846

	2022	2021
	HK$'000	*HK$'000*
Segment liabilities		
Cross-border business	**79,653**	128,601
Finance leasing business	**1,139**	1,337
Others	**13,191**	5,673
Total segment liabilities	**93,983**	135,611
Unallocated corporate liabilities	**168,202**	147,521
Total liabilities	**262,185**	283,132

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 and other borrowings, convertible bonds, promissory notes, lease liabilities, income tax payables and corporate bonds which were managed in a centralised manner.

6. OTHER OPERATING INCOME

	2022	2021
	HK$'000	*HK$'000*
Finance lease penalty income	**–**	115
Bank interest income	**15**	32
Exchange gain, net	**–**	4
Gain on termination of lease contracts	**–**	62
Gain on disposals of property, plant and equipment	**–**	15
Others	**348**	444
	363	672

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interests on:		
— bank and other borrowings	**147**	140
Effective interest expenses on:		
— convertible bonds	**–**	4,373
— corporate bonds	**700**	968
— promissory notes	**–**	911
— lease liabilities	**23**	44
	870	6,436

8. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
— Provision for the year	**2,039**	4,830
— Overprovision in prior years	**(963)**	(84)
	1,076	4,746
PRC EIT		
— Provision for the year	**163**	316
— Under provision in prior years	**–**	29
	163	345
	1,239	5,091

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 2022.

The tax rate applicable to the Group's PRC subsidiaries were 25% (2021: 25%) during the year.

9. PROFIT FOR THE YEAR

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

	2022	2021
	HK$'000	*HK$'000*
Directors' and chief executive's emoluments	**1,017**	1,937
Salaries and other allowances (excluding directors' and chief executive's emoluments)	**2,789**	4,126
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**129**	186
Total staff costs	**3,935**	6,249
Auditor's remuneration	**700**	720
Amount of inventories recognised as an expense	**304,576**	593,802
Depreciation of property, plant and equipment	**622**	738
Depreciation of right-of-use assets	**261**	581
Gain on disposals of property, plant and equipment	**–**	(15)
Exchange loss, net (included in administrative and other expenses)	**100**	–
Loss on disposals of subsidiaries	**24**	–
(Reversal of impairment loss)/impairment loss on trade receivables	**(3,192)**	13,326
Reversal of impairment loss on finance lease receivables	**(765)**	(146)
Impairment loss/(reversal of impairment loss) on other receivables and deposits	**782**	(481)
Lease payments in respect of short-term operating lease for rented premises	**160**	813

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:

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Earnings for the year attributable to the owners of the Company for the purpose of basic earnings per shares	**15,297**	15,628

	2022	2021
	'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 2022 and 2021 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 2022 and 2021.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

12. FINANCE LEASE RECEIVABLES

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

	2022	2021
	HK$'000	*HK$'000*
Within one year	**5,637**	10,454
In the second year	**607**	6,136
In the third year	**–**	656
Undiscounted lease payments	**6,244**	17,246
Less: unearned finance income	**(277)**	(1,240)
Present value of minimum lease payments	**5,967**	16,006
Impairment loss as recognised	**(162)**	(981)
Net investment in lease	**5,805**	15,025

Certain machinery 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.

During the year, the decrease in net investment in lease mainly represent recovery of finance lease receivables in according to the finance lease agreements.

Movements of impairment loss as recognised is as follows:

	2022	2021
	HK$'000	*HK$'000*
At beginning of year	**981**	1,094
Impairment loss reversed for the year	**(765)**	(146)
Exchange realignment	**(54)**	33
At end of the year	**162**	981

The following table represents the amounts included in profit or loss:

	2022	2021
	HK$'000	*HK$'000*
Finance income on the net investment in finance leases	**849**	2,237

The effective interest rates of the above finance leases range from 11% to 13% (2021: 9% to 13%) per annum. The relevant lease contracts entered into of approximately HK$36,484,000 (2021: HK$43,308,000) was aged within 3–5 years (2021: 3–5 years) at the end of the reporting period.

As at 31 December 2022 and 2021, all the finance lease receivables were secured by the leased assets and customers' deposits (2021: 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$692,000 (2021: HK$1,229,000) 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 2022 and 2021. 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

	2022	2021
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**222,205**	320,916
Less: allowance for impairment losses	**(12,630)**	(15,878)
	209,575	305,038
Other receivables	**39,152**	21,805
Less: allowance for impairment losses	**(2,080)**	(1,429)
	37,072	20,376
Deposits and prepayments	**55,134**	6,751
	55,134	6,751
	301,781	332,165

The Group generally allows an average credit period of 60–180 days (2021: 60–180 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.

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**48,069**	9,184
31–60 days	**46,039**	8,082
Over 60 days	**115,467**	287,772
	209,575	305,038

14. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Non-current		
Security deposit for finance lease receivables	**239**	749
Current		
Trade payables	**51,780**	123,447
Other payables	**40,018**	12,537
Security deposit for finance lease receivables	**453**	480
Value added tax payables	**293**	395
	92,544	136,859

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

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**12,195**	–
31–60 days	**19,448**	18,319
Over 60 days	**20,137**	105,128
	51,780	123,447

The average credit period on purchases of goods is 60 days (2021: 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

	2022	2021
	HK$'000	*HK$'000*
Capital expenditure in respect of contracted commitments for capital contribution to investees	**11,100**	12,021

16. CONTINGENT LIABILITIES

Modification of Loan from the ultimate holding company, promissory notes and convertible bonds

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, 18 May 2022 and 22 March 2023 under which all interest payable so accrued on the Shareholder's Loan under the Loan Agreement, up to 31 December 2022 shall be waived by Triumph and Great Wall conditionally if (i) the trading of the shares of the Company on Hong Kong Stock Exchange is not restored or resumed or approved on or before 4 November 2023; and/or (ii) the Company is delisted from Hong Kong Stock Exchange ("**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 2022. Thus, no interest on the Shareholder's Loan had been provided during the year ended 31 December 2022 (2021: Nil). However, interest of approximately HK$17,478,000 so accrued on the Shareholder's Loan for the period from May 2018 to 31 December 2022 shall be payable to Great Wall immediately should the conditions of the Loan Modification have not been met.

The Company issued Promissory Notes to (i) Sunshine Flame Development Limited ("**Sunshine**") on 6 June 2019 and 15 April 2021 with principal amount of HK$10,000,000 and HK$9,000,000 respectively at 3% per annum interests; and (ii) Mr. Zheng Lizhong ("**Mr. Zheng**") on 12 March 2021 with principal amount of HK$3,000,000 at 4% per annum interests and on 15 July 2021 with principal amount of HK$12,000,000 at 3% per annum interests.

Both of Sunshine and Mr. Zheng had agreed on 12 August 2022 to waive all interest payable from 1 January 2022 to 31 December 2022 conditionally if the Company was not delisted from the Stock Exchange of Hong Kong Limited ("**PN Modification**").

Forever Brilliance International Group Co., Limited ("**Forever**") is the registered holder of the HK$39,000,000 (5%) Convertible Bonds. Forever had agreed on 15 August 2022 to waive all interest payable from 1 January 2022 to 31 December 2022 conditionally if the Company was not delisted from the Stock Exchange of Hong Kong Limited ("**CB Modification**").

As the payment of interest on the Promissory Notes and Convertible Bonds are dependent upon if the conditions of the PN Modification and CB Modification cannot be met and the probability of which cannot be ascertained reliably as at 31 December 2022. Thus, no interest on the Promissory Notes and Convertible Bonds had been provided during the year ended 31 December 2022 (2021: approximately HK$5,341,000). However, interest of approximately HK$4,391,000 so accrued on the Promissory Notes and Convertible Bonds for the year ended 31 December 2022 shall be payable to Sunshine, Mr. Zheng and Forever immediately should the conditions of the PN Modification and CB 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, PN and CB Modifications are remote.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

1. Cross-border business

The Group commenced its cross-border business since 2017. Leveraging on the experience and network gained, the Group expanded its cross-border business by increasing the product categories including but not limited to nutritional food products, cosmetic and personal care products to customers in the PRC from 2019 to 2022.

As the e-commerce industry become more and more convenient coupled with the outbreak of COVID-19 in early 2020, e-commerce became the dominant form for consumers to source various products in the PRC, particularly for overseas products. Businesses rely on e-commerce to advertise its products to consumers, particularly small-to-medium sized local businesses. However, these businesses often lack the logistics support, custom clearance and warehouse storage capability due to their relatively limited scale of operation.

In view of the above and with the experiences and networks gained throughout the years since 2017, the Group began to expand its cross-border business under the S2B2C model to provide value-added service to e-commerce distributors and/or end consumers in the PRC. During 2020 to 2022, the Group implemented its business plan and enhanced its business model from B2B model to S2B2C model by (i) securing a cross-border e-commerce platform that integrates overseas direct procurement, import and export supply chain management; and (ii) leasing of several bonded warehouses, which allow the Group to efficiently import products into the PRC and maintain inventory to respond to customer orders in a swift manner, while providing custom clearance, warehouse storage and logistics assistance to its customers to strengthen its competitive edge.

In the second half of 2022, the Group also commence the B2C model, which allows the Group to directly advertise and offer its products to end-consumers. The Group believed that the B2C model could diversify the source of income generated from its cross-border business segment.

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'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 instalments. 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 instalments. The financing amount granted by the Group will usually be determined based on the purchase price and depreciation of the machinery or equipment and the customer's creditworthiness and ability to repay. Upon the expiry of the lease term and full repayment of the lease payment, the ownership of the machinery or equipment will be transferred back to the customer at a nominal price. In sale and leaseback transaction, although the Group has legal ownership to the machinery or equipment underlying the lease during the lease term, substantially all the risks and rewards of the ownership are transferred to the customer through contractual relationship between the Group and the customer.

The Group's finance leasing and consultancy service team (the "**Team**"), with solid experience in finance lease and medical equipment sector, obtains information regarding upcoming potential pipeline projects from manufacturers, distributors, banks and other financial institutions. Upon obtaining such information, the Team will approach the potential customers for discussions and conduct due diligence for potential finance leasing cooperation, by ways of direct finance leasing or sales and leaseback.

Details for major terms of finance leasing as at 31 December 2022, including total outstanding finance lease receivables, maturity profile, interest rates, collaterals and/or guarantee obtained, are set out in note 12 to the Condensed Consolidated Interim Financial Statements.

The Team will perform (i) background assessment; (ii) financial capability and repayment ability assessment; (iii) credit assessment; (iv) guarantor background assessment; (v) subject matter assessment; and (vi) industry assessment, in the assessment of the credit risks of customers. The Group's approval process includes due diligence, feasibility study, verification and credit risk assessment. For the monitory of each outstanding finance lease contract, the Team will records the ledger, issue payment reminders, closely follow up instalments, maintain communication with customers to follow up overdue instalments (if any), and commence appropriate proceedings to recover outstanding instalments.

Due to the stringent procedures adopted by the Group in taking new customers on board, there was no default in repayment since the commencement of the Group's finance leasing business. The accumulated impairment losses on finance lease receivables as at 31 December 2022 amounted to HK$162,000 (2021: HK$981,000) was provided by reference to the historical repayment pattern of the Group's finance lease debtors and certain other factors, including forward-looking elements, as to comply the requirements of HKFRS 9 Financial Instruments. Movements of the accumulated impairment losses on finance lease receivables during the year ended 31 December 2022 represent the net of: (1) decrease in outstanding finance lease receivables as compared to 31 December 2021; and (2) certain delays in repayments were recorded during the year ended 31 December 2022 (which were fully-recovered during the year ended 31 December 2022), which impacted the calculation of expected credit loss. The directors are of the view that the fact that no default in repayment has been recorded in respect of the finance lease business of the Group demonstrates that the internal control procedures for taking new customers/projects on board and the monitoring procedures are sound and effective.

In summary, during the year ended 31 December 2022, 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 business segment recorded a segment revenue of approximately HK$326.1 million (2021: HK$646.6 million), showing an decrease of 49.57% comparing with last year. Finance leasing business segment recorded a segment revenue of approximately HK$0.8 million (2021: HK$2.2 million), showing a decrease of 63.6% comparing with last year.

The decrease was mainly due to resurgence of coronavirus pandemic and the Group's refinement of its S2B2C model and reoptimization of its product offerings.

Cost of Sales and Gross Profit

The Group's cost of sales during the Reporting Period decrease by 48.8% to approximately HK$304.6 million compared to the year ended 31 December 2021 (the "**Corresponding Period**") which was driven by the decrease in revenue.

The gross profit margin of the Group decreased from approximately 8.7% for the Corresponding Period to approximately 7.1% for the Reporting Period. The gross profit had decreased by 59.5% to approximately HK$23.1 million compared to the Corresponding Period due to the decrease in revenue. The decrease in gross profit margin was mainly due to the Group's refinement of its business model.

Expenses

The administrative and other expenses accounted for the largest portion of the operating cost. The administrative and other expenses decreased by 45.6% to approximately HK$9.2 million when compared to the Corresponding Period, which is mainly because of the decrease of revenue and 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% (2021: 25%) during the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately HK$15.2 million (2021: HK$15.8 million for the Reporting Period). The slightly decrease in profit while significantly decrease in revenue was mainly due to the Group's (i) refinement of its business model; (ii) reduce of finance costs; 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$8.2 million as at 31 December 2022 (31 December 2021: HK$7.2 million). The current ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2022 and 31 December 2021 was 1.31 times and 1.26 times respectively. As at 31 December 2022, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and United States dollars ("**US$**").

At 31 December 2022, the total borrowings of the Group were approximately HK$152.9 million (31 December 2021: HK$140.2 million) which comprised (i) loan from the ultimate holding company of HK$50 million (2021: HK$50 million); (ii) bank and other borrowings of HK$13.0 million (2021: HK$1.8 million); (iii) convertible bonds of HK$42.5 million (2021:HK$42.5 million); (iv) promissory note of HK$35.4 million (2021: HK$35.4 million); (v) corporate bonds of HK$10.9 million (2021: HK$10.3 million); and (vi) lease liabilities of HK$1.1 million (2021: HK$0.1 million) 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 8.40% (2021: 7.80%) 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 2023. 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 2023. 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$1.7 million (2021: HK$1.8 million) which were secured personal guarantee provided by certain director of a subsidiary and corporate guarantee provided by a subsidiary, others were unsecured. Short-term borrowings amounted to approximately HK$150.7 million (2021: HK$137.1 million), while others were long-term borrowings due after one year.

In order to support and expand the cross-border 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 16 to the consolidated financial statements.

Gearing Ratio

The gearing ratio was 43.4% as at 31 December 2022 (2021: 38.2%). 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 2022, assets in the net book value of HK$281,000 (held under finance lease arrangement) of the Group had been pledged (2021: HK$364,000).

Capital Expenditure

For the Year, the Group incurred approximately HK$Nil (2021: HK$Nil) on the acquisition of property, plant and equipment.

Capital Commitments

As at 31 December 2022, the Group has contracted commitment for capital contribution to investees amounting to approximately HK$11.1 million (2021: HK$12.0 million).

Foreign Exchange Exposure

In respect of the cross-broder business, the Group is mainly exposed to the currency risk of HK$/US$/RMB, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$ and HK$ against RMB.

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 2022 (2021: 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 2022, the Group has a total workforce of approximately 48 employees (2021: 40) 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.

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, 3 May 2022, 3 August 2022, 3 November 2022 and 6 February 2023, the Company announced its quarterly updates on recent development.

The Group is now a comprehensive cross-border e-commerce operator, continues to operate under both S2B2C model and B2C model to grow with expanding customer luk and supplier base. As such, it is expected that the cross-border business will continue to generate revenue and net profit for the Group.

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 2022.

Events After the End of the Reporting Period

Subsequent to the end of the financial year ended 31 December 2022 and up to the date of this announcement, there is no significant or important event that affects the business of the Group.

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.

Outlook and Prospect

Hong Kong performs important functions and plays a significant role in the mainland cross-border retail and imports market. Due to the geographical proximity of Hong Kong to the mainland and duty-free policy on most of the imported products, Hong Kong is an ideal location for conducting cross-border business in the PRC.

Hong Kong's favourable business environment facilitates frequent international trade and goods flows and has made itself as a leading centre for purchasing imported products in the PRC. Under the "dual circulation" economic growth model, the mainland consumer market for imported products will continue to develop. As the mainland expands and liberalises its markets, Hong Kong is bound to share the benefits of the growing cross-border business.

Online cross-border channel has already become one of the main channels for consumers to purchase over the years. With growing income per capita, higher expectation on products variety/brands, ease of logistics which enables global delivery and advertisements by cross-border online retailers, consumers in the PRC have increasingly used to purchase products/brands among a wide range of selections, including foreign merchandises.

In line with the trend of online beauty product retail sales, the online cross-border beauty product retailing market in the key global regions also witnessed a rapid growth from 2015 to 2021. Based on the statistics published by Ministry of Commerce of the PRC, during the first quarter ended 31 March 2022, the volume of imported products to the PRC has reached RMB124.1 billion, 41.4% of which represented the imported cosmetics products, showing the huge demand for imported cosmetic products.

According to a report for the online cross-border retailing market in PRC published by Analysys, a Chinese market research institute established in 2012, the market size of the online cross-border retailing in the PRC for the second quarter ended 30 June 2022 increased to approximately RMB117.1 billion by 19.1% as compared to the same period in 2021, which indicated that the online cross-border retailing market was witnessing a solid growth. Meanwhile, among the total transaction volume of the online cross-border retailing market, approximately 38.1% of the transaction was completed on Tmall Global, which is operated by Taobao, showing that Tmall Global had great attraction to consumer in the PRC.

As such, with the increasing number active users in the growing number of online e-commerce platforms, the Company believes that (i) mobile shopping has become the dominant form of online retail in the PRC, as consumers increasingly use their fragmented time to browse and shop anywhere and anytime on their preferring online e-commerce platforms; and (ii) the extensive logistics infrastructure and wide adoption of mobile payment have made mobile shopping increasingly efficient and convenient.

In light of above, the Company believes that the abovementioned trends are driving the continued growth of the e-commerce industry of the PRC, which provides an opportunity for expanding and enriching the scope of the cross-border business of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the year ended 31 December 2022 with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules, except with the following deviation:

Rules 3.10(1) and 3.21 of the Listing Rules

Following the resignation of Mr. Wong Lap Wai on 31 May 2022 and the resignation of Mr. Li Guang Jian on 6 June 2022, the Company failed to meet the requirements of (i) having at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules and (ii) having a minimum of three non-executive directors in the Audit Committee under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Zhou Zhencun and Mr. Chen Yongping on 13 July 2022, the Company has complied with the requirements of Rule 3.10(1) and Rule 3.21 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 2022.

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 2022 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. Man Wai Lun, Mr. Zhou Zhencun and Mr. Chen Yongping; and is chaired by Mr. Chen Yongping.

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 2022.

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

Hong Kong, 30 March 2023

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. Zhou Zhencun, Mr. Chen Yongping and Mr. Man Wai Lun.