



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

MOMENTUM FINANCIAL HOLDINGS LIMITED

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



INTERIM REPORT **2018**



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CORPORATE INFORMATION

Board of Directors

Executive directors

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

Independent non-executive directors

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Headquarter and Principal Place of Business in Hong Kong

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

Company Secretary

Mr. Chan King Keung

Authorised Representatives

Mr. Ng Hoi
Mr. Chan King Keung

Legal Advisers

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

Bermuda Resident Representative

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

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Nomination Committee

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

CORPORATE INFORMATION (CONTINUED)

Bermuda Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

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

Principal Bankers

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

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

Auditor

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

Company's Website

www.1152.com.hk

Stock Code

1152

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 4 | 70,106 | 52,243 |
| Cost of sales | | (67,989) | (48,327) |
| Gross profit | | 2,117 | 3,916 |
| Other operating (expenses) income | 4 | (286) | 20,741 |
| Selling and distribution expenses | | (152) | (503) |
| Administrative expenses | | (9,336) | (15,698) |
| Finance costs | 6 | (3,287) | (10,428) |
| Loss before taxation | | (10,944) | (1,972) |
| Income tax expenses | 7 | (1,955) | (1,397) |
| Loss for the period | 8 | (12,899) | (3,369) |
| Other comprehensive income : | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | | 950 | 5,112 |
| Total comprehensive (expense) income for the period | | (11,949) | 1,743 |
| Loss per share: (HK cents) | | | |
| Basic and diluted | 10 | (1.31) | (0.34) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | Notes | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 11,817 | 11,182 |
| Interest in a joint venture | 12 | — | — |
| | | 11,817 | 11,182 |
| Current assets | | | |
| Inventories | 14 | 1,505 | 7,086 |
| Trade and other receivables | 15 | 84,906 | 10,412 |
| Finance lease receivables | 13 | — | 41,631 |
| Financial asset at fair value through profit or loss | 16 | 479 | — |
| Held-for-trading investment | 16 | — | 855 |
| Income tax recoverable | | 660 | 669 |
| Bank balances and cash | 17 | 62,134 | 87,308 |
| | | 149,684 | 147,961 |
| Current liabilities | | | |
| Trade and other payables | 18 | 4,744 | 6,751 |
| Other borrowings | 20 | 65,000 | 50,000 |
| Obligation under finance lease | 19 | 273 | — |
| Income tax payables | | 924 | 701 |
| | | 70,941 | 57,452 |
| Net current assets | | 78,743 | 90,509 |
| Total assets less current liabilities | | 90,560 | 101,691 |
| Non-current liabilities | | | |
| Corporate bonds | 21 | 8,455 | 8,708 |
| Obligation under finance lease | 19 | 1,071 | — |
| | | 9,526 | 8,708 |
| | | 81,034 | 92,983 |
| Capital and reserves | | | |
| Share capital | 22 | 4,910 | 4,910 |
| Reserves | | 76,124 | 88,073 |
| | | 81,034 | 92,983 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

| | Share capital | Share premium | Convertible bonds equity reserve | Other reserve | Exchange reserve | Accumulated losses | Total |
|---|---------------|----------------|----------------------------------|---------------|------------------|--------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2017 (Audited) | 4,910 | 190,049 | 4,244 | 9,943 | (13,521) | (97,843) | 97,782 |
| Loss for the period | — | — | — | — | — | (3,369) | (3,369) |
| Other comprehensive income for the period | — | — | — | — | 5,112 | — | 5,112 |
| Total comprehensive income for the period | — | — | — | — | 5,112 | (3,369) | 1,743 |
| At 30 June 2017 (Unaudited) | 4,910 | 190,049 | 4,244 | 9,943 | (8,409) | (101,212) | 99,525 |
| At 1 January 2018 (Audited) | 4,910 | 190,049 | — | 9,943 | (7,412) | (104,507) | 92,983 |
| Loss for the period | — | — | — | — | — | (12,899) | (12,899) |
| Other comprehensive income for the period | — | — | — | — | 950 | — | 950 |
| Total comprehensive income (expense) for the period | — | — | — | — | 950 | (12,899) | (11,949) |
| At 30 June 2018 (Unaudited) | 4,910 | 190,049 | — | 9,943 | (6,462) | (117,406) | 81,034 |

Note:

- (i) Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group organization over the consideration paid for acquiring these subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Net cash used in operating activities | (39,539) | (69,970) |
| Net cash (used in) generated from investing activities | (323) | 48,191 |
| Net cash generated from (used in) financing activities | 11,667 | (9,593) |
| Net decrease in cash and cash equivalents | (28,195) | (31,372) |
| Cash and cash equivalents at 1 January | 87,308 | 153,806 |
| Effect on foreign exchange rates changes | 3,021 | 1,791 |
| Cash and cash equivalents at 30 June, represented by bank balances and cash | 62,134 | 124,225 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Momentum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited) (the “Company”) was incorporated in the Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate parent is also Triumph Hope Limited (incorporated in British Virgin Islands). Its ultimate controlling party is Mr. Chan Chung Shu. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are the provision of finance leasing services and trading business in nutritional food products and metals products.

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

The condensed consolidated financial statement of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new standards, amendments and interpretation ("new HKFRS") issued by the HKICPA which are mandatory effective for the Group's condensed consolidated financial statements:

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

Except as describe as below, the application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information with the exception of certain requirements for hedge accounting. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 HKFRS 9 Financial Instruments (Continued)

2.1.1 Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade receivables, bill receivables, other receivables and finance lease receivables previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

2.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade receivables, bill receivables, other receivables and finance lease receivables at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("ECL") under HKFRS 9 and recognised lifetime expected losses for all trade receivables, bill receivables, other receivables and finance lease receivables. The trade receivables, bill receivables, other receivables and finance lease receivables are grouped based on shared credit risk characteristics and past due information for measuring ECL.

Based on assessment by the management of the Group, no loss allowance at 1 January 2018 was made, no adjustment was made to the opening retained earnings..

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Details are described below.

The Group is principally engaged in trading of nutritional products. The nutritional products are sold on their own in separately identified contracts with customers.

2.2.1 Sale of goods

The Group entered into a single contract with customer for every transactions of sale of nutritional products. The Group was able to demand payment only when the goods were delivered to the customer. Against this background, the Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard, no adjustment was made to the opening retained earnings.

3. CHANGE IN ACCOUNTING POLICIES

3.1 HKFRS 9 Financial instruments

3.1.1 Classification and measurement

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments.

Financial assets at fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at financial assets at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch. A gain or loss on financial asset that is subsequently measured at FVTPL is recognised in profit or loss and presented in other operating (expense) income in the period in which it arises.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. CHANGE IN ACCOUNTING POLICIES (Continued)

3.1 HKFRS 9 Financial instruments (Continued)

3.1.2 Impairment of financial assets

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

For trade receivables, bill receivables, other receivables and finance lease receivables, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-months ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. CHANGE IN ACCOUNTING POLICIES (Continued)

3.2 HKFRS 15 Revenue from contracts with customers

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

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. REVENUE AND OTHER OPERATING INCOME

Revenue represents the finance lease income and trading of nutritional food products and metal products recognised during the accounting period.

Analysis of the Group's revenue for the period is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | | |
| Trading of metals products | — | 48,769 |
| Trading of nutritional food products | 69,502 | — |
| Finance leasing | 604 | 3,474 |
| | 70,106 | 52,243 |
| Other operating (expense) income | | |
| Unrealised loss on financial asset at fair value through profit or loss/ held-for-trading investment | (376) | (2,189) |
| Gain on disposal of financial asset at fair value through profit or loss/ held-for-trading investment | — | 2 |
| Gain on disposal of a subsidiary | — | 19,574 |
| Loss on disposal of assets | (5) | — |
| Bank interest income | 95 | 494 |
| Exchange gain, net | — | 2,859 |
| Value added tax refund | — | 1 |
| | (286) | 20,741 |

5. SEGMENT INFORMATION

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. SEGMENT INFORMATION (Continued)

Same as last period, the business activities of the Group are separated into two segments, namely trading business and finance leasing. During the period, the business activity of finance leasing and trading business of metals products remains unchanged. A new operating segment, trading of nutritional food products, is introduced.

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

- (i) Finance leasing engages in finance leasing business (earning interest income and handling fee), leasing business and purchasing of leased assets.
- (ii) Trading business—nutritional food products.
- (iii) Trading business—metals products.

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

Segment revenues and results

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

For the six months ended 30 June 2018

| | Trading business — metals products HK\$'000 | Trading business — nutritional food products HK\$'000 | Finance leasing HK\$'000 | Total HK\$'000 |
|--|---|---|--------------------------------|-------------------|
| Revenue | — | 69,502 | 604 | 70,106 |
| Segment profit/(loss) | — | 1,351 | (1,269) | 82 |
| Unallocated operating expense | | | | (6) |
| Change in fair value of financial asset at fair value through profit or loss | | | | (376) |
| Selling and distribution expenses | | | | (68) |
| Administrative and other expenses | | | | (7,289) |
| Finance cost | | | | (3,287) |
| Loss before taxation | | | | (10,944) |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2017

| | Trading business — metals products HK\$'000 | Finance leasing HK\$'000 | Total HK\$'000 |
|--|---|--------------------------------|-------------------|
| Revenue | 48,769 | 3,474 | 52,243 |
| Segment profit | 442 | 1,716 | 2,158 |
| Unallocated operating income | | | 19,836 |
| Change in fair value of held-for-trading investments | | | (2,189) |
| Selling and distribution expenses | | | (321) |
| Administrative and other expenses | | | (11,028) |
| Finance cost | | | (10,428) |
| Loss before taxation | | | (1,972) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of financial asset at fair value through profit or loss/held-for-trading investment, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|-----------------------------------|---|---|
| Segment assets | | |
| Trading business | | |
| — nutritional food products | 24,300 | — |
| — metals products | — | 12,426 |
| Finance leasing | 88,273 | 54,647 |
| Total segment assets | 112,573 | 67,073 |
| Unallocated corporate assets | 48,928 | 92,070 |
| Consolidated assets | 161,501 | 159,143 |
| Segment liabilities | | |
| Trading business | | |
| — nutritional food products | 1,784 | — |
| — metals products | — | 2,062 |
| Finance leasing | 901 | 31 |
| Total segment liabilities | 2,685 | 2,093 |
| Unallocated corporate liabilities | 77,782 | 64,067 |
| Consolidated liabilities | 80,467 | 66,160 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than bank balances and cash, financial asset at fair value through profit or loss/held-for-trading investment, income tax recoverable and other assets for corporate use including certain plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than certain other payables, income tax payables, corporate bonds and other borrowings which were managed in a centralised manner.

Geographical information

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

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

| | Revenue from external customers | | Non-current assets (Note) | |
|-----------|--|--|--|--|
| | At 30 June 2018 HK\$'000 (Unaudited) | At 30 June 2017 HK\$'000 (Unaudited) | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
| The PRC | 604 | 52,243 | 9,190 | 9,970 |
| Hong Kong | 69,502 | — | 2,627 | 1,212 |
| | 70,106 | 52,243 | 11,817 | 11,182 |

Note: Non-current assets excluded financial lease receivables.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

6. FINANCE COSTS

| | Six months ended 30 June | |
|-----------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Interest expenses on: | | |
| – other borrowings | 2,817 | 5,991 |
| – obligation under finance leases | 23 | – |
| – convertible bonds | – | 4,090 |
| – corporate bonds | 447 | 347 |
| | 3,287 | 10,428 |

7. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|-----------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | 223 | – |
| PRC Enterprise Income Tax (“EIT”) | 1,732 | 1,397 |
| | 1,955 | 1,397 |

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profits arising in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017: 16.5%). No provision for Hong Kong profits tax has been made for the six months ended 30 June 2018 and 2017 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the periods.
- (ii) Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

8. LOSS FOR THE PERIOD

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Loss for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 1,125 | 1,938 |
| Unrealised loss on financial asset at fair value through profit or loss/ held-for-trading investment | 376 | 2,189 |
| Loss on disposal of property, plant and equipment | 5 | — |
| Minimum lease payments paid under operating lease for office premises | 1,011 | 2,882 |

9. DIVIDEND

No dividend was paid, declared or proposed during the reporting period, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2017: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

10. LOSS PER SHARE

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Loss: | | |
| — Loss for the period attributable to owners of the Company | 12,899 | 3,369 |
| Number of shares | | |
| — Weighted average number of ordinary shares for the purpose of basic earnings per share | 982,000 | 982,000 |

Diluted earnings per share

Diluted earnings per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, the Group incurred approximately HK\$1,872,000 (six months ended 30 June 2017: HK\$163,000) on the acquisition of property, plant and equipment. Net carrying value of property, plant and equipment being disposed for the period was HK\$5,302 (six months ended 30 June 2017: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

12. INTEREST IN A JOINT VENTURE

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| Cost of investments in a joint venture | | |
| Unlisted | — | — |
| Share of post-acquisition losses and other comprehensive income | — | — |
| | — | — |

As at 30 June 2018, the Group had interest in the following joint venture:

| Name of entity | Form of entity | Registered capital | Country of incorporation | Principal place of operation | Class of shares held | Proportion of ownership interests or participating shares held by the Group | | Proportion of voting power held | | Principal activities |
|---|----------------|--------------------|--------------------------|------------------------------|----------------------|---|-------------|---------------------------------|-------------|----------------------|
| | | | | | | 30 June | 31 December | 30 June | 31 December | |
| | | | | | | 2018 | 2017 | 2018 | 2017 | |
| Hebao (Shenzhen) Information Technology Limited (荷包(深圳)信息科技有限公司) | Incorporated | RMB20,000,000 | The PRC | The PRC | Ordinary | 49% | 49% | 49% | 49% | Inactive |

As at 30 June 2018 and up to the date of this report, no capital was injected to the joint venture by the Group.

13. FINANCE LEASE RECEIVABLES

Finance lease receivable represents relevant finance lease agreements entered into by the Group's subsidiary Shanxi Sino Top Leasing Company Limited with its lessees. Effective interest rates of the finance lease ranged from 13% to 16%. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

As at 31 December 2017, the relevant lease contracts entered into of approximately HK\$41,631,000 (30 June 2018: nil) was ages within 1 year (30 June 2018: nil).

Finance lease receivables are secured over the vessel and machineries leased as at 31 December 2017 (30 June 2018: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

13. FINANCE LEASE RECEIVABLES (Continued)

As at 31 December 2017, the ownership of certain leased assets will be transferred to the lessees at a purchase option of RMB1 (30 June 2018: nil) upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

14. INVENTORIES

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|------------------|---|---|
| Goods-in-transit | 1,505 | 7,086 |

15. TRADE AND OTHER RECEIVABLES

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| Trade receivables | 8,306 | 3,323 |
| Bill receivables (Note (i)) | 71,100 | — |
| Other receivables | 3,854 | 4,565 |
| Less: allowance for impairment losses (Note (ii)) | (449) | (455) |
| | 82,811 | 7,433 |
| Prepayments | 2,095 | 2,979 |
| | 84,906 | 10,412 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

15. TRADE AND OTHER RECEIVABLES (Continued)

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

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| At the beginning of period/year | 455 | — |
| Impairment loss recognised on other receivables | — | 437 |
| Exchange realignment | (6) | 18 |
| At the end of the period/year | 449 | 455 |

Notes:

- (i) Bill receivable of HK\$71,100,000, settled in August 2018 was arisen from two contracts signed in March 2018 for trading electrolytic copper with the maturity date on 27 June 2018. As at 30 June 2018, the two contracts were cancelled due to supplier unable to source the specific metal products.
- (ii) At 30 June 2018, the Group's impaired other receivables of approximately HK\$449,000 (31 December 2017: HK\$455,000) were brought forward. The individually impaired receivables related to debts with long age and management assessed that full amount of these receivables is unlikely to be recovered.

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENT

Financial asset at fair value through profit or loss/held-for-trading investment comprises:

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| Financial asset at fair value through profit or loss | | |
| — Equity securities listed in Hong Kong | 479 | — |
| Held-for-trading investment | | |
| — Equity securities listed in Hong Kong | — | 855 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

17. BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the six months ended 30 June 2018 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (six months ended 30 June 2017: 0.001% to 0.4% per annum).

18. TRADE AND OTHER PAYABLES

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|--------------------------|---|---|
| Trade payables | 1,505 | — |
| Receipt in advance | — | 2,062 |
| Interest payable | 1,850 | 1,533 |
| Value added tax payables | 888 | 919 |
| Other payables (Note) | 501 | 2,237 |
| | 4,744 | 6,751 |

Note: The details of other payables are as follows:

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|--------------------------------------|---|---|
| Accrual for auditor's remuneration | 160 | 662 |
| Accrual for legal & professional fee | 180 | 765 |
| Other accruals | 161 | 810 |
| | 501 | 2,237 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

19. OBLIGATION UNDER FINANCE LEASE

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|-------------------------------------|---|---|
| Analysed for reporting purposes at: | | |
| Current liability | 273 | — |
| Non-current liability | 1,071 | — |
| | 1,344 | — |

It is the Group's policy to lease its motor vehicle under finance leases. The average lease term is 5 years (31 December 2017: nil). Interest rates underlying all obligations under finance lease are fixed at respective contract dates at 1.99% per annum (31 December 2017: nil).

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|--------------------------------|------------------------------------|---|------------------------------------|
| | At 30 June 2018 HK\$'000 | At 31 December 2017 HK\$'000 | At 30 June 2018 HK\$'000 | At 31 December 2017 HK\$'000 |
| Amounts payable under finance lease | | | | |
| Within one year | 320 | — | 273 | — |
| More than one year but less than two years | 320 | — | 284 | — |
| More than two years but less than five years | 826 | — | 787 | — |
| | 1,466 | — | 1,344 | — |
| Less: future finance charges | (122) | — | N/A | N/A |
| Present value of obligation under finance lease | 1,344 | — | | |
| Less: amount due for settlement within 12 months (shown under current liabilities) | | | (273) | — |
| Amount due for settlement after 12 months | | | 1,071 | — |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

19. OBLIGATION UNDER FINANCE LEASE (Continued)

During the six months ended 30 June 2018, the Group leased certain motor vehicle with the aggregate amount of approximately HK\$1,454,000 (six months ended 30 June 2017: nil) with the lease period of 5 years (six months ended 30 June 2017: nil). The fixed rate inherent in the lease is 1.99% per annum (six months ended 30 June 2017: nil). All obligation under finance lease are denominated in HK\$.

20. OTHER BORROWINGS

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| Unsecured: Other borrowings payable within one year (Note i) | 65,000 | 50,000 |

Notes:

- (i) As at 30 June 2018, other borrowing of HK\$65,000,000 raised from a shareholder's loan payable in one year, carried an interest rate at 9.5% per annum. The amount is unsecured and repayable on demand.

As at 31 December 2017, other borrowing of approximately HK\$50,000,000 was raised from an independent third party payable in one year, which carried an interest rate at 10% per annum. The loan was fully settled in April 2018.

- (ii) The other borrowings of the Group were denominated in HK\$ which is not the functional currency of the relevant group entity as at 30 June 2018 and 31 December 2017.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

21. CORPORATE BONDS

As at 30 June 2018, the issued unlisted Corporate Bonds remains at the balance of HK\$10,000,000 (31 December 2017: HK\$10,000,000), bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month from the date of their issues.

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|-------------------------------------|---|---|
| At the beginning of the period/year | 9,408 | 9,056 |
| Imputed interest (note 6) | 447 | 1,052 |
| Interest paid | (700) | (700) |
| At the end of the period/year | 9,155 | 9,408 |

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|--|---|---|
| Analysed for reporting purpose as: | | |
| Non-current portion | 8,455 | 8,708 |
| Current portion (included in interest payable under other payable) | 700 | 700 |
| | 9,155 | 9,408 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

22. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|--|---------------------|---------------------------|
| Authorised: Ordinary shares of HK\$0.005 each as at 31 December 2017 and 30 June 2018 | 20,000,000 | 100,000 |
| Issued and fully paid: Ordinary shares of HK\$0.005 each as at 31 December 2017 and 30 June 2018 | 982,000 | 4,910 |

There were no changes in the issued capital of the Company since 31 December 2017 to the period up to 30 June 2018.

23. OPERATING LEASE COMMITMENT

The Group leases certain premises and offices under operating lease arrangements.

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

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|---|---|---|
| Within one year | 3,783 | 4,385 |
| In the second to fifth years, inclusive | 1,545 | 3,180 |
| | 5,328 | 7,565 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

24. CAPITAL COMMITMENT

| | At 30 June 2018 HK\$'000 (Unaudited) | At 31 December 2017 HK\$'000 (Audited) |
|--|---|---|
| Capital expenditure in respect of investment in a joint venture contracted for but not provided in the consolidated financial statements | 11,613 | 11,766 |

25. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

The remuneration of key management personnel during the two periods ended 30 June 2018 and 2017 were as follows:

| | Six months ended 30 June | |
|------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Short-term employee benefits | 1,183 | 2,612 |
| Post-employment benefits | 20 | 57 |
| | 1,203 | 2,669 |

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

For the six months ended 30 June 2018, there were no other related parties transaction, that had to be disclosed as defined in Chapter 14A of the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

26. SHARE OPTION SCHEME

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

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

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

No share options are granted since the adoption of the Scheme and during the interim period.

27. EVENT AFTER REPORTING PERIOD

On 23 July 2018, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Taili Asia Development Co., Limited at a consideration of approximately HK\$78,210,000. The above transaction has not yet been completed up to the date of this report. Details are set out in the Company's announcement dated 23 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance and Business Review

For the six months ended 30 June 2018, the principal businesses of the Group recorded a revenue of approximately HK\$70,106,000, showing an increase of 34.2% in revenue of approximately HK\$52,243,000 from corresponding period in last year. This is due to: for the six months ended 30 June 2018, the trading metal business segment recorded no revenue, showing a decrease of 100% in revenue of approximately HK\$48,769,000 from corresponding period in last year and; for the six months ended 30 June 2018, the new trading nutritional food products business which was engaged during second half year of 2017 recorded a revenue of approximately HK\$69,502,000; for the six months ended 30 June 2018, the finance leasing segment record a revenue of approximately HK\$604,000, showing a decrease of 82.6% in revenue of approximately HK\$3,474,000 from corresponding period in last year.

For the six months ended 30 June 2018, the trading metal business segment recorded no segment profit in line with no revenue generated during the period, showing a decrease of 100% in segment profit of approximately HK\$442,000 from corresponding period in last year. The decrease in revenue in trading metal business segment was significant for the six months ended 30 June 2018 when compared with corresponding period in last year. In spite of the Group had commenced the transactions by securing a purchase order from the customer before placing a purchase order with the supplier and had paid an amount of deposits to the supplier, the deposits was refunded to the Group due to supplier unable to source and supply the specific metal products. The weakening in market demand may as a result of the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services resulting in strong competition in metal trading business. In view of various supportive strategies of the Government of PRC; the Board is confident that the trading metal business segment will pick up accordingly.

During the second half year of 2017, the Group engaged in e-commerce operation related to nutritional food products in connection with the Group's trading business. For the six months ended 30 June 2018, the new segment recorded a segment profit of approximately HK\$1,351,000, representing the majority of the total segment profit.

The decrease in revenue in finance leasing segment was mainly due to the financial leasing market in PRC was highly fragmented and competitive for the six months ended 30 June 2018. This enable our potential customers to have many other alternatives to satisfy their financial demands. On the other hand, our Group adopts a more cautious and conservative approach so as to strengthening our Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole, by placing more stringent requirement on our finance leasing customers.

For the six months ended 30 June 2018, the finance leasing segment recorded a segment loss of approximately HK\$1,269,000, in contrast with segment profit of approximately HK\$1,716,000 from corresponding period in last year. The decrease for the six months ended 30 June 2018 in the finance leasing was mainly due to there was an exchange loss of approximately HK\$1,014,000 allocated into the finance leasing segment in the period. This HK\$1,014,000 exchange loss was mainly a result of the fact that RMB had been depreciated from 31 December 2017 to 30 June 2018 against US\$ or HK\$. Excluding the effect of exchange loss of HK\$1,014,000, the finance leasing segment recorded a segment loss of approximately HK\$255,000. The board is confident that with the concrete plan of the Government of China to maintain the growth of China's GDP, the finance leasing segment will pick up continuously.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook

The economic bilateral trade policies and protectionism measures of United States are expected to continue and may further escalate the Sino-US tensions with increase in geopolitical risks that will cast uncertainties over political, monetary and trade policy developments. The market is expected a faster pace of interest rate normalization and that may generate unexpected global volatilities of asset prices and currency rates in financial market and affecting net worth and wealth of corporates and individuals. Private consumption growth and risk appetite for corporate investments and business expansions are constrained to some extent in Hong Kong and China.

In order to tackle those financial uncertainties, the Government of PRC had introduced corresponding national development strategies such as the “Development of Guangdong-Hong Kong-Macau Big Bay Area” and the “Belt and Road Initiative”. The market expects that China will accelerate its overseas investments and further expand its trading networks with Asian countries.

During the period under review, the financial leasing market in the PRC was highly fragmented and competitive, the financial leasing business of the Company was facing various competitions from other financial leasing companies. In order to handle the severe competitions in financial leasing market, the Company had acquired a new finance lease company, 亞太鯤鵬融資租賃(深圳)有限公司 (Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd.) in Qianhai free trade zone by means of acquiring the entire equity interest of its parent company, Taili Asia Development Co., Ltd. (泰利亞洲發展有限公司) on 23 July 2018. With the ageing of general population and increase in demand for medical care in PRC, the Group have the strategy to focus on the financial leasing market of medical equipment for Hospitals in PRC in order to capture the potential growth. With the experienced team of the Group, the Group is still optimistic about its development of financial leasing business although facing with a complicated business environment and fierce industrial competition.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Position and Capital Structure

As at 30 June 2018, the Group recorded total assets of approximately HK\$161,501,000 which were financed by internal resources of approximately HK\$81,034,000 and liabilities of approximately HK\$80,467,000. The Group had total cash and bank balances of approximately HK\$62,134,000. The current ratio (current assets divided by current liabilities) of the Group decreased from 2.6 times as at 31 December 2017 to 2.1 times as at 30 June 2018. As at 30 June 2018, the Group did not have any deposit pledged to secure bank overdrafts, short-term bank loans and unused banking facilities. The Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2018, the borrowings were mainly denominated in Hong Kong dollars ("HK\$"), while the cash and cash equivalents held by the Group were mainly denominated in HK\$, Renminbi ("RMB") and United States dollars ("US\$"). All of the company's borrowings are on a fixed rate basis.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

Gearing ratio

The gearing ratio was 46.3% as at 30 June 2018 (31 December 2017: 36.9%). The gearing ratio is arrived at by dividing the total external financing debt by total assets at the end of the corresponding period. The increase in gearing ratio was mainly due to an increase in borrowings of approximately HK\$15 million and an increase in obligations under finance leases of approximately HK\$1.1 million. The current ratio (current assets divided by current liabilities) decreased from 2.6 to 2.1 was mainly due to an increase in other borrowings and short term obligations under finance lease newly incurred during the period.

Foreign Exchange Exposure and Interest Rate Risk

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

With offices located in the PRC and Hong Kong, operating expenses and major transactions of the Group are primarily denominated in HK\$, RMB or US\$. As the HK\$ is pegged to the US\$, the Group does not expect to be exposed to any currency risks in the near term. Moreover, the Group has a foreign currency hedging policy to monitor the foreign exchange exposure by entering into structured forward contracts, or consider further hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Credit Policy

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

Capital Expenditure

During the six months ended 30 June 2018, the Group did not incur investment (six months ended 30 June 2017: nil) on acquisition of property, plant and equipment.

Charges on Assets

As at 30 June 2018, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with carrying value amounting to HK\$1,666,000 (2017: approximately nil).

Employee and Remuneration Policy

As at 30 June 2018, the Group had workforce of approximately 11 persons including two executive directors, and three independent non-executive directors in Hong Kong and the PRC. Remuneration policies of the Group and the current market condition with salaries and wages were being reviewed on an annual basis. The Group also provided discretionary bonus, medical insurance, training programs, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the six months ended 30 June 2018, no share options were granted by the Company since the adoption of the Scheme.

OTHER DISCLOSURES

Significant Investment Held

Except for investment in subsidiaries, during the six months ended 30 June 2018 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 23 July 2018, the Group entered into a Sale and Purchase Agreement to purchase the entire equity interest in Taili Asia Development Co., Limited (泰利亞洲發展有限公司) together with its wholly-owned subsidiary Asia Pacific Kunpeng Finance Leasing (Shenzhen) Co., Ltd. (亞太鯤鵬融資租賃(深圳)有限公司). Details are set out in the Company's announcement dated 23 July 2018.

Future Plans for Material Investments and Capital Assets

As at 30 June 2018, the Group did not have any plans for material investments and capital assets.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (2017: nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

OTHER DISCLOSURES (CONTINUED)

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2018, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company:

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

Notes:

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

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

Save as disclosed above, as at 30 June 2018, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

OTHER DISCLOSURES (CONTINUED)

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

As at 30 June 2018, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

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

Notes:

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

OTHER DISCLOSURES (CONTINUED)

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

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

Save as disclosed above, as at 30 June 2018, no person, other than a Director, whose interests are set out under the section headed “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Compliance with the Code on Corporate Governance Practices

The Company had complied throughout the six months ended 30 June 2018 with the code provisions set out in the Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 of the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2018.

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

OTHER DISCLOSURES (CONTINUED)

Audit Committee

The Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 and discussed with the senior management the internal control, risk management and financial reporting matters as well as the accounting principles and practices adopted by the Group in relation to the preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018.

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

Hong Kong, 24 August 2018